Comprehensive Annual Financial Report for the

Fiscal Year Ending September 30, 2019

City of Highland Village, Texas

CITY OF
HIGHLAND VILLAGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019

Prepared by:

The Finance Department

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CITY OF HIGHLAND VILLAGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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INTRODUCTORY SECTION

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FINANCE
1000 Highland Village Road
Highland Village, TX 75077
972-899-5089 F 972-899-5100
www.highlandvillage.org

March 24, 2020

Honorable Mayor, City Council
City of Highland Village
Highland Village, Texas

The Finance Department of the City of Highland Village is pleased to submit the Comprehensive Annual Financial Report of the City of Highland Village, Texas, for the fiscal year ended September 30, 2019.

The report is published to provide the City Council, management staff, our citizens and other interested parties with detailed information concerning the financial condition and performance of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Highland Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The financial statements included in this report were prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA). To demonstrate further public accountability, the independent accounting firm of Certified Public Accountants, Pattillo, Brown & Hill, L.L.P. whose report is included herein, has audited the City's financial statements.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Highland Village's financial statements for the year ended September 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

In addition, a Management's Discussion and Analysis (MD&A) section, immediately following the independent auditor's report includes a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Highland Village, incorporated in 1963, is located in the southeastern portion of Denton County on Highway 407, west of Lewisville, 20 miles north of Dallas, 34 miles northeast of Fort Worth, 15 miles southeast of Denton and 8 miles north of Dallas-Fort Worth International Airport. The City is primarily residential.

The City's estimated 2019 population is 16,537, just a 2% increase over the past 10 years. Years of sustained growth in population in previous years has brought the City closer to build-out, evidenced by the reduced number of single-family residential permits now being issued. The City is currently approximately 95% built out, with approximately 290 single-family residential homes remaining to be built in platted and unplatted parcels. The estimated build out date is 2025. Over the last five years, the City has averaged 23 single-family residential permits annually. The average assessed value for existing single-family dwellings on the 2018 Tax Roll was $384,214.

The City of Highland Village operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council), consisting of a mayor and six other members, all elected at large. The Council appoints the City Manager, who in turn appoints the heads of the various departments. All council members are elected for two-year terms.

This report includes all funds and account groups of the City. The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and infrastructure; recreational facilities and cultural events. In addition to general government administrative services, the City provides water, sewer and sanitation services. The City is also financially accountable for a legally separate component unit – the Highland Village Community Development Corporation, which is reported as a blended component unit within the City of Highland Village's financial statements (see Note 1A for additional information).

The Council is required to adopt a final budget by no later than September 30th – the close of the fiscal year. This annual budget serves as the foundation for the City of Highland Village's financial planning and control. The budget is prepared by fund, category (personnel, services/supplies, capital) and department (e.g., police, fire, human resources). Departments may reallocate resources within a category, but reallocation between categories or departments requires council approval.

Local Economy

The national economy has performed well with increased growth, with the North Texas economy continuing as a bright spot. In general, North Texas as a whole continues to experience substantial growth, with job creation at higher levels than much of the nation, as well as adding a number of corporate relocations to this area. The area housing market has grown steadily and existing homes have experienced increased value over the past few years. The close proximity of the Dallas-Fort Worth International Airport and both cities of Dallas and Fort Worth enhance increasing residential development. The average value of new construction residential permits was approximately $189,599. There were 56 single-family permits issued during fiscal year 2018/2019 for a total construction value of $10,617,558. In addition, there were 5,604 water connections, with 5,245 being the total residential. Since the City's residential tax base is a significant portion of its annual budget, these increases have the most significant impact on the City's ability to raise revenues to provide the services and conditions for future growth.

There were 21 commercial permits issued during the year for a total construction value of $4,524,148. Increased commercial development has certainly enhanced the business and economic outlook for the City. Over the past twenty years, the City has realized gradual economic development, beginning with the completion in 1995 of the 80,000 square foot Highland Village Town Center shopping complex. Phase II of this development was completed in October 1997. Kroger's grocery chain has been the anchor commercial development in the Town Center complex, however closing in FY 2016. The space has now been occupied by Painted Tree. Valley Ridge Center, a professional office complex on FM 407 was also added in 1997. A new bank, United Community Bank, opened for business in 1998 with a temporary building - a permanent bank building was completed in 1999. A merger with Independent Bank in 2012 further solidified the bank and now serves as the City's depository.

In January 1999, the City Council initiated implementation of an overlay ordinance for nonresidential development. This change was enacted to create a unique look for Highland Village by requiring a residential look to nonresidential uses. This effort was seen as an economic development issue to ensure quality future development. The completion of Village Parkway in 1998 in the western part of the City provides additional economic stimulus for the City - particularly now that TXDOT has constructed a segment that extends this roadway to Denton as an extension of FM 2499, providing an alternate route to DFW Airport. And this, in turn, greatly enhances the commercial value of the developments at the FM 407 and FM 2499 intersection with the resulting increase in traffic.

Village Creek Center, started in the mid 1980's, added three new buildings in 1999 to complete their site plan. This center includes restaurant facilities and professional office space. In 2000, a two-building professional office development was completed and fully leased, with plans to expand by another building. Also in 2000, Tartan Village Retail Center opened with 6,000 square feet of retail space and Barnett Center constructed a childcare facility. The Barnett Center added an animal hospital in 2002 and a 56,000 square foot assisted living facility was added in 2003, with a 35,000 square foot extensive care addition completed the following year.

Celebrations, a 12,000 square foot banquet hall, was completed in 2003, updated in 2015 with new owners with addition of a chapel – transforming the facility to a wedding / reception facility. A 17,000 square foot retail center, Tartan Square, was added in 2004. Highland Village Business Park was completed, with two office / professional buildings totaling 16,000 square feet, in early 2005.

With limited remaining undeveloped commercial property in Highland Village – primarily located along FM 407 and FM 2499, the City focused on the remaining undeveloped property to ensure compatible, high-quality development. An additional overlay district was developed for this area to apply standards that will assure the highest and best use, with the potential for increased sales tax revenues while continuing to maintain the high quality of life in Highland Village.

The remaining principal area for retail development, at the intersection of FM 407 and FM 2499, saw substantial activity beginning in 2006. At the northeast corner of this intersection - the Marketplace at Highland Village, a 66-acre retail mixed-use development anchored by a 205,000 square foot Wal-Mart Super center, also including approximately 280,000 square feet of retail, office, and restaurants, saw some of its businesses open in October 2006, with the Wal-Mart store opening in November 2007. The Wal-Mart store is truly one-of-a-kind, with preservation of a 125 year-old pecan tree incorporated into the front entrance of the store.

On the northwest corner of the intersection, The Shops at Highland Village, a 45-acre development opened in September 2007. Barnes & Noble and an AMC Theater anchor the 380,000 square foot center, with upscale retail stores including Banana Republic, Victoria's Secret, as well as a variety of restaurants. The Shops at Highland Village is a pedestrian friendly, lifestyle shopping experience featuring fountains, outside dining areas, and pedestrian walkways – also connecting to the City's Inland Trail system. And the addition of Whole Foods in September 2014, further cements the vitality of this development.

Just east of the Marketplace, The District of Highland Village, initially approved by Highland Village City Council in March 2007, was planned as a "Main Street" center with retail and residential townhomes. Construction of the first phase was completed, but additional construction stalled due to the economic downturn. A redesigned plan was presented to City Council in FY 2011, but denied – prompting a lawsuit by the property owner based on the City's denial of the rezoning request. During the ensuing year, the City and its legal counsel thoroughly defended against the claims made in the lawsuit. City officials and staff worked diligently with the property owners to settle their dispute, resulting in approval by City Council in November 2012 of a new development plan to provide open air plazas for a mixed-use development of residential lofts, retail, and office professional facilities, offering a unique and desirable high-end loft living lifestyle currently not available in Highland Village and adjacent cities. Construction initiated in 2014 and now entails eleven buildings of residential and retail totaling over 380,000 square feet.

The City is primarily a residential community with a relatively small commercial base. New residential construction has slowed from previous years, with substantial residential build-out expected in the near future. Roughly 290 potential lots remain, most of these associated with several developments in the western portion of the city, providing very modest residential building activity. In particular, Ladera, a retirement community development of 102 units, initiated construction in FY 2018, with 22 permits issued, continuing with 47 in FY 2019, with the remaining expected the following two years. In addition, David Weekley Homes purchased property from the Lewisville Independent School District previously targeted for a school site, also in the western section of the city. They are currently in the development approval process, with 72 homes anticipated.

There are shopping areas with major retail department stores, variety stores and chain stores located in the general vicinity of Highland Village. Wholesale firms, distributing automobile parts and supplies, electronics, lumber, meats, plumbing fixtures, petroleum products and boat distributors are also located in the general vicinity. A plentiful supply of skilled labor is available to industry in the Highland Village area. Denton County reflected an unemployment rate of 2.8% as of September 2019.

Long Term Financial Planning

Economic Development, specifically retail development, has been a primary objective and continues to be desired, however with limited remaining real estate in the city. This will not only provide desired amenities for residents' immediate access, but also an avenue to diversify the City's revenue stream that is highly dependent on property tax. This is especially pertinent as the City nears substantial residential build-out, and accompanying declining growth in assessed valuation. A stated focus of Council has been to maintain the current tax rate. Above-average increases in assessed valuation the last several years has provided an opportunity to have a tax rate reduction. However, with declining growth in new valuation added to the tax roll, coupled with proposed State Legislation to implement revenue caps, this provides a challenge to maintain the high level of services provided for in this community. A continued primary focus over the next few years is to maintain current staffing levels through residential build-out and seek efficiencies where possible, without compromising the City's excellent level of service.

Future water supply, pumping facilities, and wastewater treatment will also continue to be a focal point of meeting growth demands through build-out. Highland Village has contracted with the Upper Trinity Regional Water District (UTRWD) to take three million gallons of water per day (MGD). This water supply supplements the City's four productive water wells. A utility rate structure was updated to provide a 70/30 mix of surface water and ground water respectively. Additionally, the utility rate structure was revamped to provide for a substantially higher amount collected at the base level rather than the previous method of relying on higher summer usage with tiered rates. This will provide a more consistent revenue stream that is less dependent on weather patterns and fairer method of distributing costs to residents.

To meet the City's wastewater needs, a long-term solution was finalized in June, 1995, with 1.8 million gallons per day treatment contract with the Upper Trinity Regional Water District's Lakeview Wastewater Reclamation Project, which provided for a participatory contract to meet the City's build out wastewater effluent needs. In the initial stage of this contract, developer contributions (Impact Fees) have paid the bulk of the annual commitments with the existing ratepayers paying a minimal portion of the contract cost. The City's current capacity is at 1.65 MGD, but the City may reinstate the 1.8 MGD capacity at a future date, if needed. The subscribed capacities for both water and sewer are generally expected to be sufficient through build-out.

A municipal drainage utility was formed at the end of FY 2006 to fund a storm water quality program and related drainage projects necessitated by Phase II MS 4 Storm Water Regulations – administered by the Texas Commission on Environmental Quality (TCEQ). A rate of $1.20 per 1,000 square feet of impervious cover was established to fund this program – unchanged until FY 2015 when adjusted to $1.40. The monthly average for most City residents is roughly $5.00. The utility has a staff of five positions and has procured needed equipment. The utility has achieved great success, already completing a number of needed drainage projects - also achieving substantial cost savings by averting contracting of these projects. In FY 2013, an aggressive mosquito abatement program was developed to address the significant increase in West Nile Virus, and is ongoing.

The City continues to address park programs to meet the changing needs of the community. The governing body adopted an ordinance in 1991 to establish Park Development Fees to be paid by the development community. These fees are dedicated to Park Development. This ordinance was revised in 1997 to collect fees for three components – community park, inland trail system, and neighborhood parks. Phase I of the development of Unity Park was completed and was utilized in full for athletic activity in early 1996. In September 1996, $1,850,000 in General Obligation Bonds was issued to complete Phase II of Community Park and provide improvements to other City parks. Phase II of the Park, completed in April 1997, includes lighting, restrooms and concessions. Additional parking and restroom enhancements were added in 2012 funded by a certificate of obligation. An inter-local agreement with the Lewisville Independent School District allows the City and Briarhill Middle School (adjacent to Unity Park) to share common facilities. Completion of Village Park in 2005 provided a neighborhood park in the western quadrant of the City.

An additional primary focus of the City has been the establishment of a comprehensive trail system throughout the City. The initial spine (9.83 miles) of the trail system was initiated with securing a $1 million TEA-21 grant. This was completed in 2006 with a cost of $1.7M. Voters approved a ½ cent 4B sales tax in November 2004 – specifically targeted for trail development and a soccer complex. Future development of the trail system is to be primarily funded by the 4B sales tax. A $3M bond issue in 2008 provided funding for the next section – with another $3.8M bond issuance in FY 2009 to further expand the trail system in the City. A continuous trail segment now spans the length of the entire City. Ultimately, 28 miles of trails are envisioned in the Trail Master Plan.

The Doubletree Ranch property, 36 acres in the eastern portion of the City, was purchased in 2009 with funds from a certificate of obligation – with the associated annual debt service to be reimbursed to the City with 4B revenues. In FY 2014 a $6.7M Certificate of Obligation was issued to supplement remediation funds of $2.8M previously received from TxDOT associated with the loss of Copperas Branch Park resulting from the expansion of I-35 - to be redirected to Doubletree Ranch Park, to fund park construction. Accordingly, construction commenced in FY 2014. The Park substantially opened in August 2016, providing open space, trails, and soccer fields, in a pristine setting. In addition, a splash pad, concession barn and pavilion are heavily utilized.

Lakeside Community Park was completed in 2015, also utilizing 4B revenues. This park – with water front access to Lake Lewisville, includes a quarter-mile loop trail, two pavilions, all with fantastic lake views. A number of recreation programs are offered in the City. In particular, baseball and soccer associations have experienced consistent participation, and have remained quite successful.

The City's commitment to parks was buttressed with a 2018 $7.1 M bond issuance following voter approval in 2017. This issuance targeted parks projects of $4.1M and street projects totaling $2.8M. A significant portion of the park initiatives were improvements to Unity Park, highlighted by a new softball field and rebuild of Kids Kastle playground. This playground was originally constructed in the 1990's as a community build project. Following a fire in the 2000's, it was rebuilt again as a community project. The play area is now at the end of its useful life and in need of replacement and is planned to again be reconstructed by the community in FY 2020. This project is a tremendous source of pride for the community.

Major Initiatives

The City's staff, following specific directives of the City Council and City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens are able to live and work in an enviable environment. The following are initiatives and programs relating to general governmental functions:

- Received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the submitted 2018 Comprehensive Annual Financial Report (CAFR).
- Received the GFOA Distinguished Budget Presentation Award for the Fiscal Year 2019 Budget.
- Code Enforcement began a structured abatement program, collecting fees for abating vacant properties.
- Code Enforcement worked 680 cases, using CityWorks PLL to track and monitor those cases.
- City Secretary Office proactively responded to 319 requests for City records made through the Public Information Act (Open Records). In an effort to expedite the processing of requests and preserve paper, requests can be made electronically and responsive records are provided electronically whenever possible.
- Installed a new Early Outdoor Warning Siren (EOWS) at the Southwood Storage Facility, and in process to relocate the EOWS from Overlook to Pilot Knoll Park.
- Replaced the 2012 Mobile Intensive Care Unit (MICU/Ambulance) with a new 2019 MICU.
- Replaced the 2005 Type I Fire Engine with a new 2019 Fire Engine.
- Fire Department purchased and positioned Stop the Bleed Kits in specified city vehicles as well as all locations where City AED's are located.
- Fire Department installed AED cabinets in all City facilities.
- Developed a Comprehensive Health and Wellness Program that includes bringing in an outside fitness instructor to conduct physical training for all members of the department.
- Completed a data conversion of the Utility Billing and Cash Collections software to the current version.
- Converted the Municipal Judge position from a contract employee to a part time employee.
- Implemented electronic delivery of employee pay stubs and vendor direct deposit notices.
- The Director of Marketing & Communications completed the Certified Public Communicator (CPC) program at TCU and created a three-year communication plan for the City in the process.
- Launched the Speak Up HV website as a community engagement tool. It has been used to engage with the community and seek input on the Copperas Branch Park Master Plan process, the Kids Kastle community build project, summer fun in Highland Village photo contest, and it has served as the portal for the resident survey regarding the HVBA.
- Contracted with BrandEra Marketing to conduct a resident survey on the Highland Village Business Association and how residents would like to receive retail and business information. BrandEra also conducted two focus groups; one with retail businesses and the other with restaurant owners/managers. Results were shared with Council and direction was given to launch a shop local type campaign.
- The Human Resources Department implemented a completely new digital performance management system in 2019. All departments are utilizing the new format. Since going live in April 2019: 562 goals have been created; 713 individual feedback comments have been provided; and all departments have implemented their review cycle and are completing reviews.
- The City's online employee wellness program, WellRight, continues to see good utilization. In its second full year, we had 106 employees qualify for wellness credit. Many spouses also participated in the program, earning gift cards for completing qualifying wellness tasks above the minimum requirements.
- Successfully recruited a new Fire Chief.
- Negotiated and implemented a new benefits carrier, Blue Cross Blue Shield of Texas.
- Completed the replacement and/or upgrade of more than 78 cameras throughout the City. Also implemented a new Video Management System in conjunction with the replacement/upgrade.
- Enhanced and expanded the city-wide cyber security testing program and training for all employees.
- Integrated Code Enforcement into CityWorks.

- Worked with the Finance Department to create digital paystubs, saving staff time and resources.
- Online permits can now be emailed once they have been approved and paid online, thus removing the need to come to the Municipal Complex in person.
- Worked with the Department of Homeland Security's Cyber Testing Team to remove all identified high and medium level external online vulnerabilities.
- Received the Texas Amateur Athletic Federation (TAAF) Silver Member City Award.
- Increased the department's volunteering program by 400% and added an online site for people to register as volunteers.
- In October 2018 the Police Department helped raise over $55,000 for the Texas Police Chiefs Association's Fallen Officer Fund/Foundation through the Annual TXFallenPD Tribute Event. The Fallen Officer Fund/Foundation provides monetary assistance to families of Texas Police Officers killed in the line of duty. The TXFallenPD Tribute Event began in 2008, and is a community event at The Shops at Highland Village with activities including a 5K run, police bike race, police obstacle course, live music, entertainment, demonstrations, kids zone, food, and drinks.
- During the 2018 holiday season over $6,000, 133 boxes of food, and 3,700 toy items were collected and distributed to our local charities through the Stuff a Cruiser Toy Drive. This event is staffed during the holiday season by Police Officers and volunteers.
- All divisional staff completed their continuing education as required for the National Highway Institute (NHI) Street Department Certification. Staff also became National Pollutant Discharge Elimination System (NPDES) Storm Water certified.
- Updated the condition index rating of all paved streets receiving overlays or maintenance.

Relevant financial policies

The City's financial policies address accounting and fiscal operations of the City with emphasis on asset management, operating reserves and fund balances. The City has established policies to maintain a fund balance equivalent to at least 20% of General Fund expenditures. Accordingly, fund balance levels have remained above this level. Ending fund balance was 35% in FY 2015, 37% in FY 2016, 47% in FY 2017, 44% in FY 2018, and 36% in FY 2019. Financial policies provide for one-time or non-recurring revenues not being used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes. Fund balance levels are currently higher than anticipated to be necessary on an on-going basis. Financial policies call for the City to maintain a fund balance within a range of 20% -25%. A gradual plan is intended to reduce fund balance levels to this range – specifically by funding capital items with excess reserves. A continuing priority is to ensure sufficient revenues are available for the level of operating expenditures.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Village for its comprehensive annual financial report for the fiscal year ended September 30, 2018. This was the twenty-sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

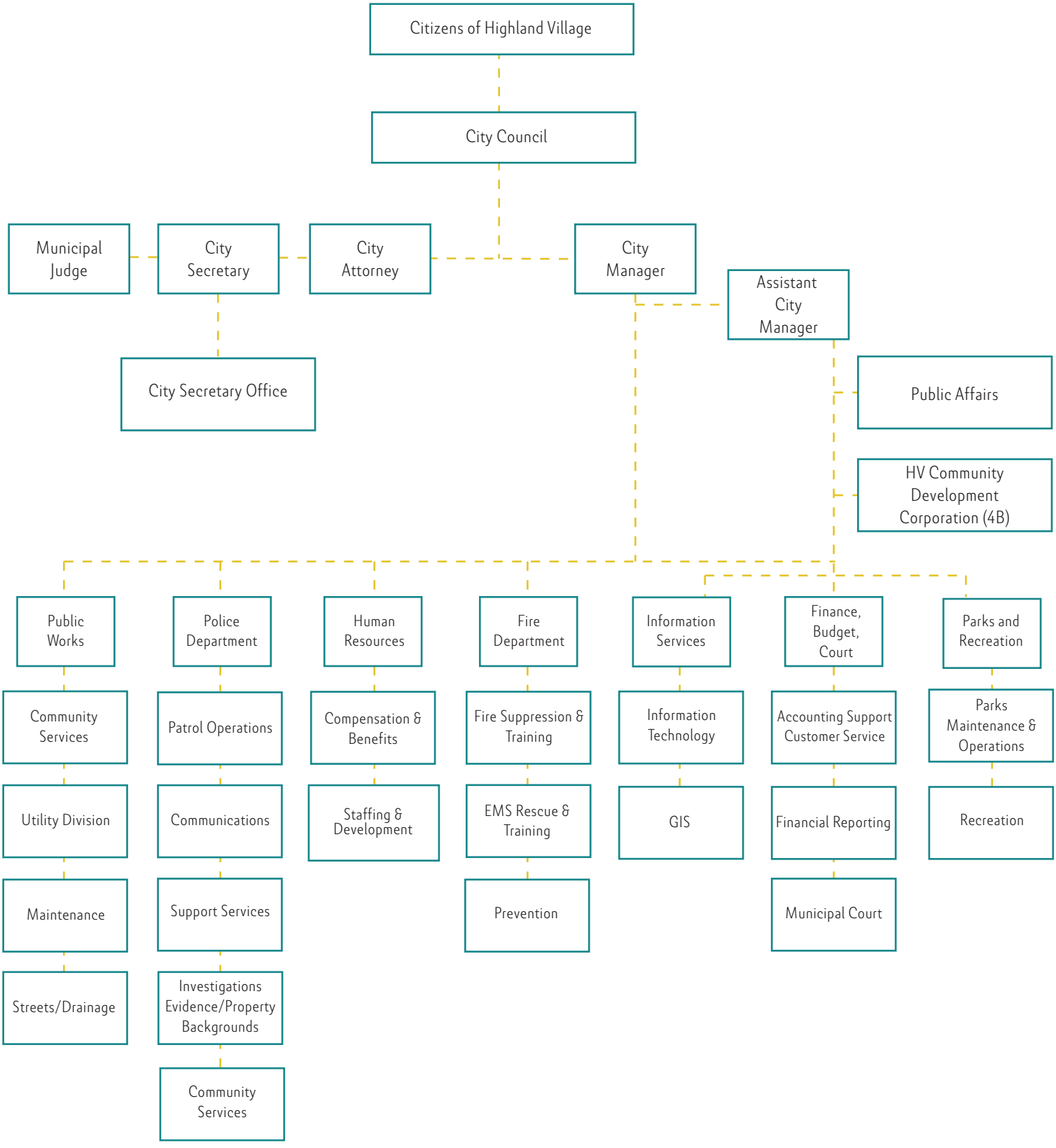
In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year 2019– the City's thirteenth consecutive receipt of this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Thanks especially to Heather Miller for her hard work toward the completion of this document and continued commitment to excellence in accounting standards. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City of Highland Village, preparation of this report would not have been possible.

Sincerely,

Ken Heerman
Assistant City Manager



City of Highland Village, Texas
Organizational Chart
Fiscal Year 2018 - 2019

CITY OF HIGHLAND VILLAGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

MAYOR AND CITY COUNCIL

		Term Expires
Charlotte Wilcox, Mayor	Place 1	05/2020
Jon Kixmiller	Place 2	05/2020
Mike Lombardo, Mayor Pro Tem	Place 3	05/2021
Barbara Fleming, Deputy Mayor Pro Tem	Place 4	05/2020
Tom Heslep	Place 5	05/2021
Robert Fiester	Place 6	05/2020
Daniel Jaworski	Place 7	05/2021

ADMINISTRATIVE

Michael Leavitt	City Manager
Angela Miller	City Secretary
Ken Heerman	Assistant City Manager
Scott Kriston	Director of Public Works
Doug Reim	Police Chief
Michael Thomson	Fire Chief
Jana Onstead	Human Resources Director
Phil Lozano	Director of Parks and Recreation
Sunny Lindsey	Information Services Director
Laurie Mullens	Director of Communications and Marketing

Prepared by:
City's Finance Department

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Village

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and City Council
City of Highland Village, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Highland Village, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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AICPA GAQC Member

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Highland Village Texas' fiscal year 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland Village, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, capital asset schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, and capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, and capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2020, on our consideration of the City of Highland Village, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the City's effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Highland Village, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Highland Village, we offer readers of the City of Highland Village's financial statements this narrative overview and analysis of the financial activities of the City of Highland Village for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Highland Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $53,768,513. Of this amount, $4,255,534 may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Highland Village's total net position decreased by $600,510. A $432,478 decrease in net position related to governmental activities and a decrease of $168,032 in net position in business-type activities.

- As of September 30, 2019, the City of Highland Village's governmental funds reported combined ending fund balances of $12,993,845, a decrease of $2,401,619 in comparison with the prior year. Approximately 35 percent of this total amount, $4,552,543, is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $4,552,543, or 24 percent of total General Fund expenditures.

- The City of Highland Village's total debt decreased by $2,745,000 during the current fiscal year. This is attributed to scheduled debt payments for the governmental activities and business-type activities of $1,930,000 and $815,000, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Highland Village's basic financial statements. The City of Highland Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Highland Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Highland Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Highland Village is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

Governmental activities. Most of the City's basic services are reported here, including the police, fire, community development, public works, information services, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

Business-type activities. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and drainage utilities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Highland Village can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Highland Village maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, all of which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Fund (a component of proprietary funds) is identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

The City of Highland Village maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highland Village's budgetary comparison schedules and its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $53,768,513 as of September 30, 2019. Analyzing the net position of governmental and business-type activities separately, governmental activities' net position was $43,918,895 and business-type activities' net position was $9,849,618. This analysis focuses on the net position (Table 1), and the changes in net position (Table 2).

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1

CITY OF HIGHLAND VILLAGE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 15,012,846	$ 16,790,183	$ 7,672,090	$ 8,647,796	$ 22,684,936	$ 25,437,979
Capital assets	60,664,124	60,193,264	15,724,971	16,180,007	76,389,095	76,373,271
Total assets	75,676,970	76,983,447	23,397,061	24,827,803	99,074,031	101,811,250
Deferred outflows of resources	2,739,996	1,249,905	392,642	215,301	3,132,638	1,465,206
Long-term liabilities	29,199,981	28,477,573	12,075,039	12,613,453	41,275,020	41,091,026
Other liabilities	5,021,825	4,299,907	1,810,325	2,252,236	6,832,150	6,552,143
Total liabilities	34,221,806	32,777,480	13,885,364	14,865,689	48,107,170	47,643,169
Deferred inflows of resources	276,265	1,104,499	54,721	159,765	330,986	1,264,264
Net position:						
Net investment in capital assets	41,212,165	40,191,697	6,592,993	6,875,079	47,805,158	47,066,776
Restricted	660,741	556,029	1,047,080	897,706	1,707,821	1,453,735
Unrestricted	2,045,989	3,603,647	2,209,545	2,244,865	4,255,534	5,848,512
Total net position	$ 43,918,895	$ 44,351,373	$ 9,849,618	$ 10,017,650	$ 53,768,513	$ 54,369,023

The following table (Table 2) provides a summary of the City's operations for the year ended September 30, 2019. Governmental activities decreased the City's net position by $432,478 and business-type activities decreased the City's net position by $168,032, resulting in a net $600,510 decrease in total net position.

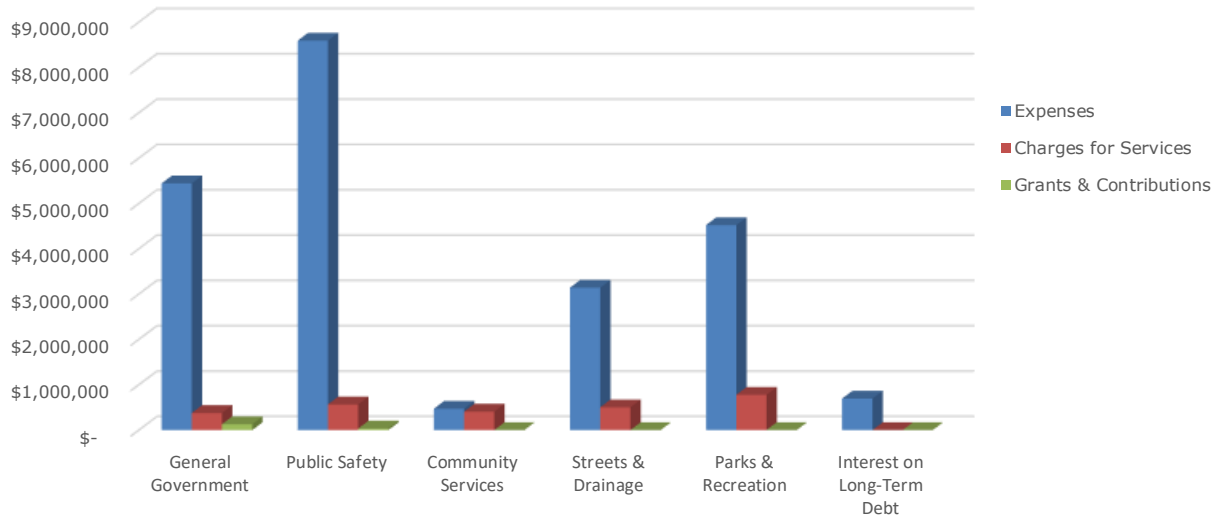
TABLE 2

CITY OF HIGHLAND VILLAGE'S CHANGES IN NET POSITION

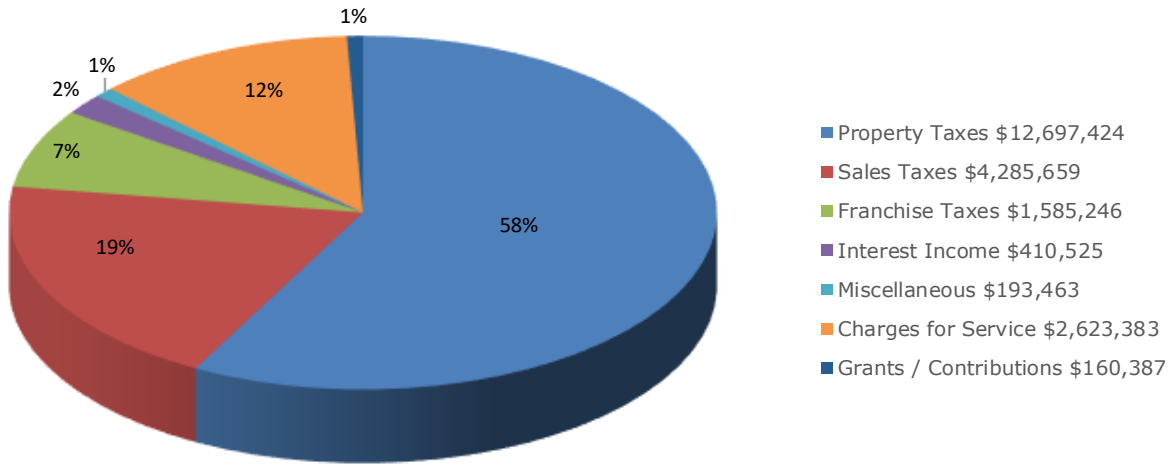
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 2,623,383	$ 2,631,209	$ 9,112,051	$ 10,036,132	$ 11,735,434	$ 12,667,341
Operating grants and contributions	34,894	92,883	-	-	34,894	92,883
Capital grants and contributions	125,493	65,314	273,105	686,042	398,598	751,356
General revenues:						
Property taxes	12,697,424	12,126,314	-	-	12,697,424	12,126,314
Sales taxes	4,285,659	3,915,696	-	-	4,285,659	3,915,696
Franchise fees	1,585,246	1,699,608	-	-	1,585,246	1,699,608
Interest income	410,525	269,069	143,616	84,696	554,141	353,765
Miscellaneous	193,463	153,919	-	-	193,463	153,919
Total revenues	21,956,087	20,954,012	9,528,772	10,806,870	31,484,859	31,760,882
Expenses:						
General government	5,442,819	5,648,223	-	-	5,442,819	5,648,223
Public safety	8,591,670	7,915,283	-	-	8,591,670	7,915,283
Community services	469,914	499,071	-	-	469,914	499,071
Streets and drainage	3,139,410	2,956,194	-	-	3,139,410	2,956,194
Parks and recreation	4,520,227	4,099,709	-	-	4,520,227	4,099,709
Interest on long-term debt	694,525	719,953	-	-	694,525	719,953
Water and wastewater	-	-	9,226,804	9,195,566	9,226,804	9,195,566
Total expenses	22,858,565	21,838,433	9,226,804	9,195,566	32,085,369	31,033,999
Increases (decreases) in net position before transfers	(902,478)	(884,421)	301,968	1,611,304	(600,510)	726,883
Transfers	470,000	470,000	(470,000)	(470,000)	-	-
Change in net position	(432,478)	(414,421)	(168,032)	1,141,304	(600,510)	726,883
Net position, beginning	44,351,373	45,018,950	10,017,650	8,876,346	54,369,023	53,895,296
Prior period adjustment	-	(253,156)	-	-	-	(253,156)
Net position, ending	$ 43,918,895	$ 44,351,373	$ 9,849,618	$ 10,017,650	$ 53,768,513	$ 54,369,023

Governmental activities. The City's expenses for governmental activities are detailed below –with associated program revenues.

Expenses and Program Revenues - Governmental Activities



General Revenues by Source - Governmental Activities



Net position associated with governmental activities decreased $432,478 in FY 2019 – this compared to a $414,421 decrease in net position in FY 2018.

- FY 2019 revenues increased $1,002,075 from the previous year. Key elements of this increase is as follows:
    - Property taxes increased by $571,110 during the year. Most of this increase is the product of a 5.6% increase in the taxable assessed value of the property.
    - Sales tax revenue increased by $369,963 reflecting consumer spending remaining steady for the City's retail developments.
    - Franchise fees decreased by $114,362 which is primarily attributed to electric, gas, and cable franchise fees.
    - Investment earnings increased $141,456 resulting from higher yields as well as proceeds from 2018 bond issuance.

- Miscellaneous revenue increased $39,544 from the previous year mainly due to CoServ Electric retiring Capital Credits early this year.

- FY 2019 expenses increased $1,020,132 from FY 2018, reflecting inflation and increased service demand. The total expense amount of $22,858,565 exceeded total revenues – creating a $902,478 reduction in net position before transfers. This compares to an $884,421 reduction in FY 2018 net position.

    - General government expenses decreased by $205,404. This decrease was associated with roof replacements of City facilities in FY 2018 stemming from a citywide hail storm in 2017 totaling $814,356. This decrease is offset by additional cost of the roof replacement totaling $105,905 and A/C unit replacements totaling $51,860. There was an increase in personnel expenses of $253,597 related to increases in salaries, health insurance costs, and net pension liability. Additionally, there were purchases of a weather monitoring system, pedestrian crosswalk, security cameras, other software and hardware totaling $127,515.

    - Public safety expenses increased $676,387 primarily related to increases in salaries, health insurance costs, and net pension liability.

    - Streets and drainage expenses increased $183,216 primarily due to increases in salaries, health insurance costs, and net pension liability in the amount of $95,306. Additionally, there was a $46,041 increase in drainage maintenance.

    - Parks and recreation expenses increased $420,518. This increase is largely attributed to an increase in personnel expenses of $304,672 related to salaries, health insurance costs, and net pension liability. There is a $43,616 increase in recreational programs and events primarily related to the Kids Kamp program and Christmas at the Ranch event. Additionally, $61,500 in professional expenses were made for the Copperas Branch Park Master Plan.

Business-type activities: Business-type activities reflected a $168,032 decrease in the City's net position – this compared to a $1,141,304 increase in net position in FY 2018. Overall, expense and transfers exceeded revenue.

- Charges for service decreased $924,081 from last year's total of $10,036,132. Both water sales and sewer sales decreased from the previous year as a result of less consumer consumption.

- Capital grants and contributions decreased $412,937 due to water and sewer capital improvements of $531,519 contributed by the developer of the Ladera subdivision in FY 2018, netted with an increase of $118,582 in impact fees.

- Expenses increased $31,238 from last year largely related to increase in salaries, health insurance costs, and net pension liability.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $12,993,845 a decrease of $2,401,619 in comparison with the prior year. Approximately 35 percent of this total amount, or $4,552,543, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for spending because it has already been restricted - $6,040,829, committed - $271,466, assigned - $1,829,514, or non-spendable - $299,493.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $4,552,543, while total fund balance was $6,655,345. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24 percent of total General Fund expenditures, while total fund balance represents 36 percent of that same amount.

The original budget for FY 2019 reflected a $1,169,913 drawdown of fund balance, to fund capital equipment purchases – while still providing for sufficient reserve balances. Revenues exceeded the budgeted amount by $79,598, while expenditures in FY 2019 were below the budgeted amount by $206,123. These variances comprised the majority of the decrease in fund balance of $895,580. Key factors affecting fund balance are as follows:

- Total General Fund revenues of $17,261,767 were increased from FY 2018 by $440,163.
    - Taxes reflected a $362,510 increase from FY 2018.
        - Property tax revenue increased $223,414 largely resulting from a 5.6% increase in assessed valuation, however partially mitigated by a ½-cent tax rate reduction.
        - Sales tax revenue increased $253,459
        - Franchise fees decreased $114,368.
    - Licenses, permits and fees decreased $54,340, largely due to FY 18 reflecting revenues from residual roof permits and contractor registration fees resulting from a significant hailstorm that encompassed the entire city in Spring 2017.
    - Investment earnings increased $56,845 resulting from increased yields.
    - Charges for Services revenues experienced a $45,675 increase, primarily reflective of increased collections from ambulance service fees, stemming from a rate increase.
- Total General Fund expenditures of $18,613,959 represent an increase of $1,391,625 from the previous year. The FY 2019 actual expenditures were $206,123 below the original budgeted amount.
    - Personnel expenditures increased $660,752 from FY 2018. Salaries increased $278,098 resulting from overall salary increases of 4%. Benefits increased $301,096 largely related to higher premiums for medical insurance coverage.
    - Services / Supplies expenditures decreased by $471,025.
        - Data processing expenditures increased $151,767 from FY 2018 primarily related to installation of numerous security cameras as well as an upgrade to the City network server software.
        - Buildings and Grounds Maintenance decreased $657,887 compared to increased expenditures in FY 2018 resulting from replacement of numerous City facilities roofs prompted by a citywide hailstorm in 2017. Insurance proceeds were received in FY 2017, with repairs largely completed in FY 2018.
        - Capital lease payments decreased $129,069 due to fulfillment of the lease-purchase obligation related to acquisition of an ambulance, with the last payment made in FY 2018.
        - Maintenance contracts increased $47,863 largely resulting from an increased landscaping bid for the median of FM 2499.
    - Capital Outlay expenditures increased by $1,201,692 in FY 2019, primarily related to the purchase of a fire engine and ambulance.
- Total Other Financing Sources (Uses) reflected a net total of $456,612 – a $103,083 decrease from FY 2018. Base elements of this total include transfers-in of $470,000, $28,000, and $16,000 respectively, from the Utility Fund, Highland Village Economic Development Corporation and Drainage Utility Fund for support functions provided by the General Fund, as well as a transfer-in of $20,200 from the Public Safety Fund related to Child Safety Fees. These transfers-in were partially offset by transfers to the Drainage Utility Fund of $16,000 for the City's drainage fees and $50,000 to the Highland Village Community Development Fund to address programs at Doubletree Ranch Park.

The Debt Service Fund has a total fund balance of $118,266, a decrease of $41,223, all of which is restricted for the payment of debt service.

The Capital Projects Fund ended the year with a $5,313,584 fund balance, decreased $1,551,968 from FY 2018 related to capital expenditures for parks and streets projects identified in the $6.905M bond issuance in FY 2018.

Remaining governmental funds reported a combined ending fund balance of $906,650, reflecting an increase of $87,152.

- Revenues for these funds reflected an increase of $26,352 from the previous year, largely related to increased sales tax revenues of $116,505 received in the Highland Village Community Development Fund. This was largely offset by reduced receipts of development fees in the Park Development Fee Fund, as $68,400 was received in FY 2018 from the Ladera Development.

- Combined expenditures decreased $133,902. The decrease is largely related to a $322,522 decrease in the Corps Leased Parks Fund as expenditures associated with rehab of restroom facilities at the park were incurred in FY 2018. This was partially offset by a $135,966 increase in Drainage Utility expenditures.

- Total Other Financing Sources (Uses) reflected a net total of $-793,439 – a $166,941 increase from FY 2018. This is reflective of a $63,858 increase in the Highland Village Community Development Fund as well as a $50,000 increase in the Drainage Utility reflective of a transfer from the General Fund for purchase of a crew truck.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

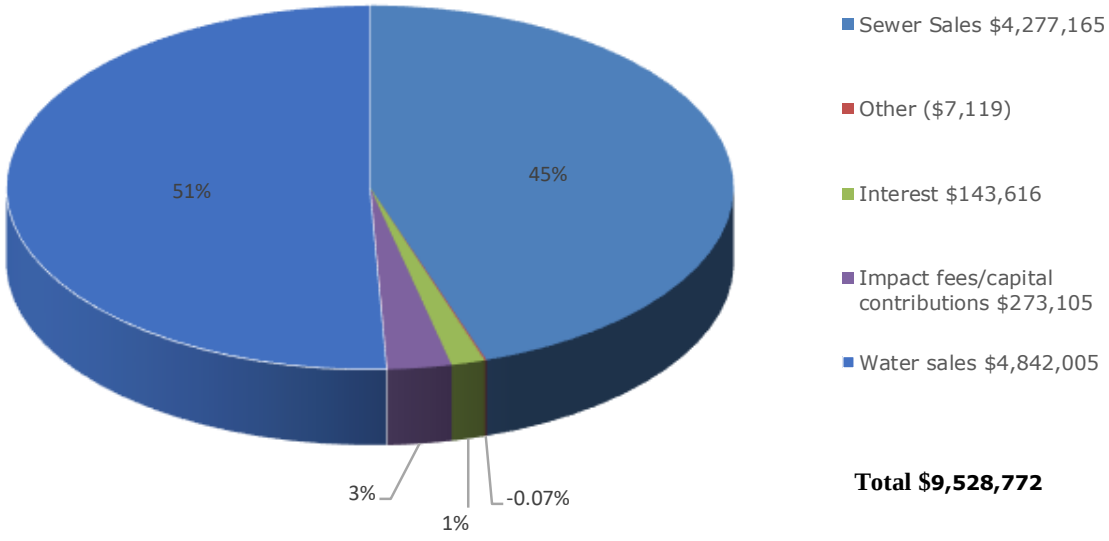
Net position in the Enterprise Fund totaled $9,849,618 at the end of the fiscal year 2019, a decrease of $168,032, or 1.68%. Included in net position is $1,047,080 restricted for capital projects and unrestricted net position of $2,209,545. The remaining net position balance of $6,592,993 consists of net investments in capital assets.

- Utility operating revenues of $9,112,051 reflected a decrease of $924,081 or 9.2%, in FY 2019, largely reflective of considerably above-average rainfall resulting in reduced water demand.

  - Water sales decreased $844,717.

  - Sewer sales decreased $146,685.

Total Revenues - Business-Type Activities

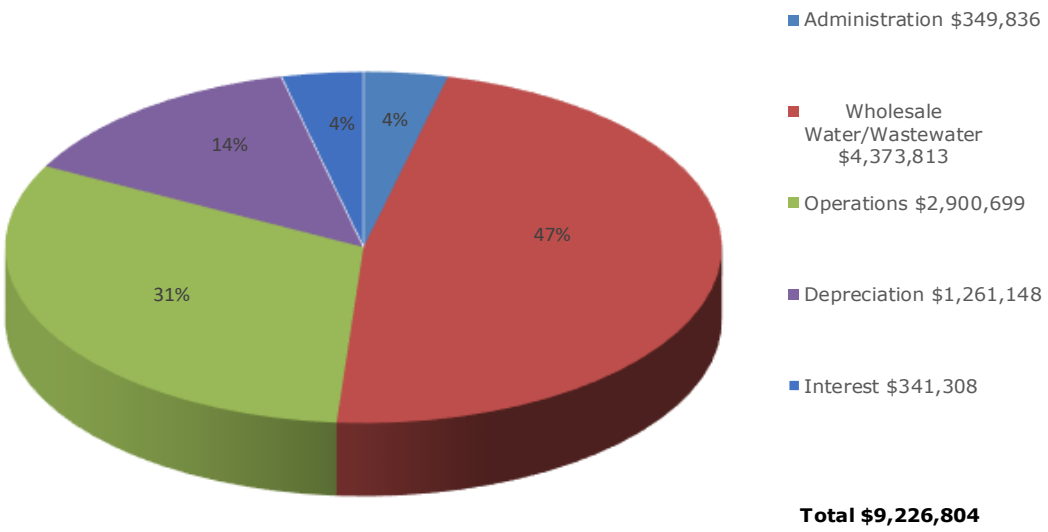


- Utility operating expenses of $8,885,496 increased $57,086, or .65%.

    - Administration expenses decreased $3,306 in FY 2019.
    - Maintenance and Operations increased $77,629.
        - Wholesale water / sewer treatment cost increased $100,538.
        - Personnel expenses increased $126,385.
        - Services and supplies decreased $149,294 primarily due to increased expenditure in FY 2018 of painting of the Idlewild water tower not repeated in FY 2019, partially offset by an increase in well lot maintenance associated with the rehabilitation of the Highland Shores water well.

    - Depreciation decreased in FY 2019 by $17,237.

Total Expenses - Business-Type Activities



Total $9,226,804

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2018-2019, the City Council of the City of Highland Village amended the budget for the General Fund on two occasions, resulting in an increase in budgeted expenditures of $1,051,000. The majority of these appropriations relate to actions taken to fund unbudgeted items during the fiscal year, including the acceptance of grants during the year.

Staff reviewed each supplemental appropriation throughout the year and determined that revenues provided sufficient reserves to recommend their increase. All budget amendments presented had either offsetting reductions or sufficient available fund balances reserves.

For fiscal year 2018-2019, actual expenditures on a budgetary basis were $18,613,959. This total was less than the original budgeted expenditures of $18,820,084 by $206,125, and $1,257,125 below the revised budget. The supplemental requests approved during the year are summarized following:

- Personnel expenditures increased by a total of $63,000 which consists of increases in City Manager ($35,000), Finance ($35,000), City Secretary ($8,000), Fire ($20,000), Parks ($15,000), and Streets ($50,000) Departments, offset by decreases in the Human Resources ($50,000), and Police ($50,000) Departments. These changes resulted from mid-year adjustments, personnel changes, insurance coverage election, etc. In addition, the amendments addressed reallocation of some items budgeted in a single department, such as incentive pay, with actual expenditures charged to the respective departments.
- Services and supplies expenditures increased in total by $569,000 which consists of the following amendments:

- Streets – Increased $91,000 related to reallocated monies carried over from FY 2018 for street concrete panel replacement.
- City Manager - Decreased $45,000 mostly related to reallocation of budgeted contingency funds not utilized.
- Human Resources – Decreased $12,000 related to budgeted potential recruitment that was not needed.
- Police – Decreased $15,000 related to anticipated maintenance contracts not utilized.
- Maintenance - Increased $550,000 related to repairs of City facilities (roofs) damaged by hailstorm (associated with insurance proceeds previously received).

- Increased Capital Outlay in total by $419,000 which consists of the following amendments:

  - Information services – Increased $43,000 related to purchase of a network storage device budgeted in FY 2018 however received after year-end.
  - Streets – Increased $10,000 related to purchase of acquired equipment slightly exceeding budget.
  - Parks – Increased $366,000 related to purchase of Double Tree Ranch shade covers and playground equipment redirected from economic development funds as well as engineering for Chapel Hill Trail – all carried over from FY 2018.

Actual revenue on a budgetary basis was $17,261,767 compared to the original budget of $17,182,169, providing a positive variance of $79,598. Actual tax revenues were $33,296 less than the budget amount. Licenses, permits and fees actual revenues also were less than budgeted by $61,123. This was offset by small positive variances in the other revenue categories, namely collected charges for service ($66,028), investment earnings ($44,347) and miscellaneous ($52,793).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets, for its governmental and business-type activities as of September 30, 2019, amounted to $76,373,271 (net of accumulated depreciation). This investment in capital assets includes land, building, park facilities, roads, bridges, water and sewer lines, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Project	**Amount**
2019 Pierce PUC Pumper	$ 836,460
Winding Creek Oat Forest Waterline	535,212
Brazos Parking Lot Extension	401,415
2019 Ford F550 Horton Type 1 Ambulance	240,753
KCS Railroad Sewerline Cross at Winding Creek	197,247
Pilot Knoll Day Use Restroom Building	159,302
Doubletree Ranch Park Playground	142,541
Doubletree Ranch Park Shade Structures	116,996
2019 Ford F-SD F450-550	77,375
2019 Ford F350 Super	67,396
2019 Ford F150	58,395
2019 Ford Explorer	54,013
John Deere 5075M Tractor	53,745
2019 Ford Explorer	48,645
2019 Ford F250 Super	47,778
2019 Ford F250 Super	47,500
2019 Ford F350	43,431
2019 Ford F350	43,431
Nexsan Assureon 16TB Backup Archive System	42,810
Mower - Trimax Pegasus	38,241
Shade Structure for Dog Park	37,600
2018 OM FS7000 D Husqvarna 36" Flat Saw	35,513

Shade Structure for Turpin Park	31,994
High Powered Outdoor Siren	31,753
Rescues Tools	28,955
2019 Ford Explorer	28,223

TABLE 3

CITY OF HIGHLAND VILLAGE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	$ 17,183,848	$ 17,183,848	$ 75,713	$ 75,713	$ 17,259,561	$ 17,259,561
Land improvements	15,276,101	15,579,241	-	-	15,276,101	15,579,241
Buildings and improvements	6,224,833	6,826,382	861,785	933,706	7,086,618	7,760,088
Distribution system	-	-	14,169,996	14,516,766	14,169,996	14,516,766
Equipment and machinery	3,827,778	2,691,100	566,986	547,884	4,394,764	3,238,984
Infrastructure	16,172,149	17,156,417	9,219	9,832	16,181,368	17,166,249
Intangibles	210,483	280,229	798	4,409	211,281	284,638
Construction in progress	1,768,932	476,047	40,474	91,697	1,809,406	567,744
Total capital assets	$ 60,664,124	$ 60,193,264	$ 15,724,971	$ 16,180,007	$ 76,389,095	$ 76,373,271

Additional information on the City's capital assets can be found in Note D on pages 40-41 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds outstanding of $36,580,000. Of this amount, $24,630,000 is tax-supported debt. The remainder of the City of Highland Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

TABLE 4

CITY OF HIGHLAND VILLAGE'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligations	$ 15,000,000	$ 16,160,000	$ 5,130,000	$ 5,725,000	$ 20,130,000	$ 21,885,000
Combination tax and revenue certificates of obligation	8,765,000	9,255,000	6,820,000	7,040,000	15,585,000	16,295,000
Tax notes	865,000	1,145,000	-	-	865,000	1,145,000
Total outstanding debt	$ 24,630,000	$ 26,560,000	$ 11,950,000	$ 12,765,000	$ 36,580,000	$ 39,325,000

The City's total debt decreased by $2,745,000 during the current fiscal year. A key factor in this decrease was the scheduled debt payments of $2,745,000.

The City's tax supported debt is rated "AAA" by Standards & Poor's. The current ratio of tax-supported debt to assessed value of all taxable property is 1.1 percent.

Additional information on the City's outstanding debt can be found in Note F and G on page 42-44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2019-2020 budget was adopted by ordinance on September 24, 2019. The following summarizes the significant factors that were considered in adopting the budget.

- General fund revenues are budgeted to increase by 2.05% over FY 2019 original budget with property taxes making up 64% of the general fund budgeted revenues. While there was not a proposed property tax rate increase, the property tax taxable values increased by 4.5%. The Council approved a tax rate of $0.56302 per $100 valuation, with $0.476486 apportioned to maintenance and operation expenses and $0.086534 apportioned to pay interest and principle maturities on outstanding debt. Sales tax represents 16% of the

budget general fund revenues. Sales tax collections are expected to increase 1.1% over the FY 2019 budgeted amount.

- General fund expenditures are budgeted to decrease by 0.6% over the FY 2019 original budget.

    - Personnel expenditures represent 70% of budgeted general fund expenditures. The proposed total increase in personnel is $655,853 or 5.2% over FY 2019. The majority of this increase, $376,025 is related to an overall 4% salary increases. Health insurance is expected to increase $300,433, which represents a 15% increase in premiums. Pension benefit contributions remained flat as a result of contribution rate decrease from 13.50% in FY 2019 to 13.46% in FY 2020.

    - Supplies and services expenditures represent 27% of the budgeted general fund expenditures. Expenditures are expected to increase by $375,995 or 7.9% from FY 2019. Professional services increased $243,342, reflective of an increase in a median landscape contract, maintenance of newly installed security cameras, establishment of a disaster response center and off-site data backup. Supplies and equipment increased $150,803 which includes appropriations to resurface tennis courts and repair and replacement of certain electrical equipment and A/C units.

    - Capital outlay expenditures represent 2.4% of the budgeted general fund expenditures. Capital expenditures are budgeted at $447,686, a $1,136,314 or 72% decrease from FY 2019 original budget. The decrease is primarily attributed to a purchase of a fire engine and ambulance in FY 2019. The significant items that were appropriated in FY 2020 includes replacement vehicles, message board, and a station alert system.

- The water sales are budgeted at $5,673,527 representing a modest increase of 1% over the budget for FY 2019. Wastewater sales are budgeted at $4,467,014 representing less than a 1% increase over FY 2019 budget.

- Water and wastewater expenses are budgeted at $8,668,713 representing a $638,158 or 7.9% increase compared to FY 2019 budget. The majority of this increase is related to the purchase of supplies and services and investment in capital assets.

Information on subsequent events is detailed in Note J on pages 50-51 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Highland Village, Finance Department, 1000 Highland Village Road, Highland Village, TX, 75077.

BASIC
FINANCIAL STATEMENTS

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CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 13,273,529	$ 545,052	$ 13,818,581
Receivables (net of allowances for uncollectibles)			
Taxes	1,320,249	-	1,320,249
Accounts	137,212	1,888,366	2,025,578
Intergovernmental	599	-	599
Other	45,313	3,857	49,170
Inventories and prepaid items	299,493	311,821	611,314
Internal balances	(63,549)	63,549	-
Restricted cash and investments:			
Reserved bond debt service	-	661,921	661,921
Capital improvements	-	3,012,974	3,012,974
Construction	-	1,047,080	1,047,080
Customer deposits	-	137,470	137,470
Capital assets:			
Nondepreciable	18,952,780	116,187	19,068,967
Depreciable, net	41,711,344	15,608,784	57,320,128
Total capital assets	60,664,124	15,724,971	76,389,095
Total assets	75,676,970	23,397,061	99,074,031
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	207,071	73,180	280,251
Deferred outflows related to pensions	2,514,534	315,873	2,830,407
Deferred outflows related to post employment benefits	18,391	3,589	21,980
Total deferred outflows of resources	2,739,996	392,642	3,132,638

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	1,337,163	525,262	1,862,425
Accrued liabilities	325,427	78,944	404,371
Unearned revenue	146,935	-	146,935
Accrued interest	84,113	43,478	127,591
Customer deposits	-	137,470	137,470
Noncurrent liabilities:			
Due within one year			
Current portion of long-term obligations	3,126,768	1,025,000	4,151,768
Current portion of total OPEB liability	1,419	171	1,590
Due in more than one year			
Noncurrent portion of long-term obligations	22,917,008	11,265,822	34,182,830
Net pension liability	5,997,571	753,409	6,750,980
Total OPEB liability	285,402	55,808	341,210
Total liabilities	34,221,806	13,885,364	48,107,170
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	-	18,495	18,495
Deferred inflows related to pensions	254,381	31,955	286,336
Deferred inflows related to post employment benefits	21,884	4,271	26,155
Total deferred inflows of resources	276,265	54,721	330,986
NET POSITION			
Net investment in capital assets	41,212,165	6,592,993	47,805,158
Restricted for:			
Debt service	51,762	-	51,762
Community development	86,517	-	86,517
Public safety	90,493	-	90,493
Utility drainage	279,090	-	279,090
Public broadcasting	152,879	-	152,879
Capital projects	-	1,047,080	1,047,080
Unrestricted	2,045,989	2,209,545	4,255,534
Total net position	$ 43,918,895	$ 9,849,618	$ 53,768,513

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 5,442,819	$ 375,503	$ 2,475	$ 125,480
Public safety	8,591,670	564,324	32,419	-
Community services	469,914	405,907	-	-
Streets and drainage	3,139,410	501,797	-	13
Parks and recreation	4,520,227	775,852	-	-
Interest on long-term debt	694,525	-	-	-
Total governmental activities	22,858,565	2,623,383	34,894	125,493
Business-type activities:				
Water and wastewater	9,226,804	9,112,051	-	273,105
Total business-type activities	9,226,804	9,112,051	-	273,105
Total primary government	$ 32,085,369	$ 11,735,434	$ 34,894	$ 398,598

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Franchise
  - Sales
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$(4,939,361)	$ -	$(4,939,361)
(7,994,927)	-	(7,994,927)
(64,007)	-	(64,007)
(2,637,600)	-	(2,637,600)
(3,744,375)	-	(3,744,375)
(694,525)	-	(694,525)
(20,074,795)	-	(20,074,795)
-	158,352	158,352
-	158,352	158,352
(20,074,795)	158,352	(19,916,443)
10,820,807	-	10,820,807
1,876,617	-	1,876,617
1,585,246	-	1,585,246
4,285,659	-	4,285,659
410,525	143,616	554,141
193,463	-	193,463
470,000	(470,000)	-
19,642,317	(326,384)	19,315,933
(432,478)	(168,032)	(600,510)
44,351,373	10,017,650	54,369,023
$ 43,918,895	$ 9,849,618	$ 53,768,513

CITY OF HIGHLAND VILLAGE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	General	Debt Service
ASSETS		
Cash and investments	$ 6,475,817	$ 118,266
Receivables, net		
Taxes	1,069,468	17,609
Accounts	137,212	-
Intergovernmental	-	-
Other	20,659	-
Due from other funds	24,583	-
Prepaid items	273,288	-
Total assets	8,001,027	135,875
LIABILITIES		
Accounts payable	781,466	-
Accrued liabilities	281,558	-
Due to other funds	-	-
Unearned revenue	90,791	-
Total liabilities	1,153,815	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable:		
Property taxes	95,885	17,609
Municipal court fines	76,308	-
Ambulance	19,674	-
Total deferred inflows of resources	191,867	17,609
FUND BALANCES		
Nonspendable - prepaid items	273,288	-
Restricted for:		
Debt service	-	118,266
Public parks, recreation, and related projects	-	-
Public safety - law enforcement operations	-	-
Utility drainage operations	-	-
Capital projects	-	-
Public broadcasting	-	-
Committed - park development and maintenance	-	-
Assigned for:		
Subsequent year's budget	782,606	-
City manager- professional services	6,453	-
Finance - professional services	45,300	-
City secretary - records management	5,418	-
Information services - professional services	104	-
Public safety - police - services and supplies	11,519	-
Public safety - fire - fire truck payment	8,500	-
Streets - maintenance and professional services	20,086	-
Maintenance - supplies and roof replacement	819,645	-
Parks - maintenance and supplies	119,087	-
Recreation - services	10,796	-
Unassigned	4,552,543	-
Total fund balances	6,655,345	118,266
Total liabilities, deferred inflows of resources, and fund balances	$ 8,001,027	$ 135,875

The accompanying notes are an integral part of these financial statements.

Capital Projects	Other Governmental	Total Governmental Funds
$ 5,802,346	$ 877,100	$ 13,273,529
-	233,172	1,320,249
-	-	137,212
-	599	599
-	24,654	45,313
-	-	24,583
-	26,205	299,493
5,802,346	1,161,730	15,100,978
488,762	66,935	1,337,163
-	43,869	325,427
-	88,132	88,132
-	56,144	146,935
488,762	255,080	1,897,657
-	-	113,494
-	-	76,308
-	-	19,674
-	-	209,476
-	26,205	299,493
-	-	118,266
-	86,517	86,517
-	90,493	90,493
-	279,090	279,090
5,313,584	-	5,313,584
-	152,879	152,879
-	271,466	271,466
-	-	782,606
	-	6,453
-	-	45,300
	-	5,418
-	-	104
-	-	11,519
-	-	8,500
-	-	20,086
-	-	819,645
-	-	119,087
-	-	10,796
-	-	4,552,543
5,313,584	906,650	12,993,845
$ 5,802,346	$ 1,161,730	$ 15,100,978

CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

Total fund balance, governmental funds		$ 12,993,845
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		60,664,124
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		
Property taxes	$ 113,494	
Ambulance fees	19,674	
Court fines	76,308	
		209,476
Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and are therefore not reported in the funds. Also, the loss on refunding of bonds and premium on issuance of bonds are not included in the funds. The details of these differences are as follows:		
Bonds payable	(24,630,000)	
Deferred amount on refunding	207,071	
Issuance premium	(295,760)	
Accrued interest	(84,113)	
Compensated absences	(1,118,016)	
		(25,920,818)
Included in the items related to long-term liabilities is the recognition of the City's net pension liability and deferred outflow and inflow of resources related to pensions.		
Deferred outflow related to pensions	2,514,534	
Deferred inflow related to pensions	(254,381)	
Deferred outlow related to post employment benefits	18,391	
Deferred inflow related to post employement benefits	(21,884)	
Total OPEB liability	(286,821)	
Net pension liability	(5,997,571)	
		(4,027,732)
Net position of governmental activities in the statement of net position		$ 43,918,895

The accompanying notes are an integral part of these financial statements.

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CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General	Debt Service
REVENUES		
Taxes	$ 15,297,756	$ 1,875,255
Fines and forfeitures	106,281	-
Licenses, permits and fees	894,287	-
Intergovernmental	2,488	-
Charges for services	539,265	-
Investment earnings	228,347	10,276
Miscellaneous	193,343	-
Total revenues	17,261,767	1,885,531
EXPENDITURES		
Current:		
General government:		
City manager	630,032	-
Finance	1,590,658	-
Human resources	400,696	-
City secretary	311,730	-
Maintenance	1,037,776	-
Information technology	1,101,286	-
Public safety:		
Police	4,713,087	-
Fire	2,817,435	-
Community services	435,063	-
Streets and drainage	1,338,238	-
Parks and recreation	2,237,869	-
Debt service:		
Principal	130,203	1,930,000
Interest and other charges	2,995	803,581
Capital outlay	1,866,891	-
Total expenditures	18,613,959	2,733,581
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,352,192)	(848,050)
OTHER FINANCING SOURCES (USES)		
Transfers in	534,200	806,827
Transfers out	(77,588)	-
Total other financing sources and uses	456,612	806,827
NET CHANGE IN FUND BALANCES	(895,580)	(41,223)
FUND BALANCES, BEGINNING	7,550,925	159,489
FUND BALANCES, ENDING	$ 6,655,345	$ 118,266

The accompanying notes are an integral part of these financial statements.

Capital Projects	Other Governmental	Total Governmental Funds
$ -	$ 1,384,757	$ 18,557,768
-	-	106,281
-	1,057,300	1,951,587
125,480	57,904	185,872
-	-	539,265
163,100	8,802	410,525
-	120	193,463
288,580	2,508,883	21,944,761
-	-	630,032
-	16,854	1,607,512
-	-	400,696
-	-	311,730
-	-	1,037,776
-	-	1,101,286
-	22,359	4,735,446
-	7,530	2,824,965
-	-	435,063
-	541,874	1,880,112
-	908,882	3,146,751
-	-	2,060,203
-	-	806,576
1,840,548	130,793	3,838,232
1,840,548	1,628,292	24,816,380
(1,551,968)	880,591	(2,871,619)
-	77,588	1,418,615
-	(871,027)	(948,615)
-	(793,439)	470,000
(1,551,968)	87,152	(2,401,619)
6,865,552	819,498	15,395,464
$ 5,313,584	$ 906,650	$ 12,993,845

CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances - total governmental funds:		$(2,401,619)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	$ 3,908,232	
Depreciation expense	(3,437,372)	
		470,860
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:		
Property taxes	10,561	
Ambulance fees	(9,090)	
Court fines	35,340	
Grants	(25,485)	
		11,326
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while issuing debt increases long-term liabilities in the statement of net position. The repayment of the principal portion of bonds, capital leases and tax notes is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Payments on bonds	1,650,000	
Payments on capital lease	130,203	
Payment on tax notes	280,000	
		2,060,203
Certain pension and other postemployment benefits expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and other post employment benefits liability were amortized.		(631,969)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(53,330)	
Accrued interest	112,669	
Amortization of deferred loss of refunding bonds	(39,413)	
Amortization of premium on bond issuances	38,795	
		58,721
Change in net position of governmental activities		$(432,478)

The accompanying notes are an integral part of these financial statements.

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CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2019
(With Comparative Totals as of September 30, 2018)

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 545,052	$ 1,645,812
Accounts receivable, net	1,888,366	1,534,548
Other receivables	3,857	7,602
Inventories	269,701	241,134
Prepaid items	42,120	23,149
Due from other funds	63,549	63,549
Restricted cash and investments:		
Reserve bond debt service	661,921	455,451
Capital improvements	3,012,974	3,613,455
Construction	1,047,080	897,706
Customer deposits	137,470	165,390
Total current assets	7,672,090	8,647,796
Non-current assets:		
Capital assets:		
Nondepreciable capital assets	116,187	167,410
Depreciable capital assets, net of accumulated depreciation	15,608,784	16,012,597
Total capital assets	15,724,971	16,180,007
Total non-current assets	15,724,971	16,180,007
Total assets	23,397,061	24,827,803
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	73,180	88,723
Deferred outflows related to pensions	315,873	123,600
Deferred outflows related to other postemployment benefits	3,589	2,978
Total deferred outflows of resources	392,642	215,301

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2019
(With Comparative Totals as of September 30, 2018)

	2019	2018
LIABILITIES		
Current liabilities:		
Accounts payable	525,262	977,472
Accrued expenses	78,944	70,085
Accrued interest	43,478	90,478
Customer deposits	137,470	165,390
Current portion of long-term obligations	1,025,000	948,586
Total OPEB Liability	171	225
Total current liabilities	1,810,325	2,252,236
Noncurrent liabilities:		
Net pension liability	753,409	377,307
Total OPEB liability	55,808	38,274
Noncurrent portion of long-term obligations	11,265,822	12,197,872
Total non-current liabilities	12,075,039	12,613,453
Total liabilities	13,885,364	14,865,689
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	18,495	20,459
Deferred inflows related to pensions	31,955	139,306
Deferred inflows related to other postemployment benefits	4,271	-
Total deferred inflows of resources	54,721	159,765
NET POSITION		
Net investment in capital assets	6,592,993	6,875,079
Restricted for capital projects	1,047,080	897,706
Unrestricted	2,209,545	2,244,865
Total net position	$ 9,849,618	$ 10,017,650

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019
(With Comparative Totals For the Year Ended September 30, 2018)

	2019	2018
REVENUES		
Charges for services	$ 9,112,051	$ 10,036,132
Total operating revenues	9,112,051	10,036,132
OPERATING EXPENSES		
Administration	349,836	353,142
Maintenance and operations	7,274,512	7,196,883
Depreciation	1,261,148	1,278,385
Total operating expenses	8,885,496	8,828,410
OPERATING INCOME	226,555	1,207,722
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	143,616	84,696
Interest expense	(341,308)	(367,156)
Total non-operating revenues (expenses)	(197,692)	(282,460)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	28,863	925,262
CAPITAL CONTRIBUTIONS	273,105	686,042
TRANSFERS OUT	(470,000)	(470,000)
CHANGE IN NET POSITION	(168,032)	1,141,304
TOTAL NET POSITION, BEGINNING	10,017,650	8,876,346
TOTAL NET POSITION, ENDING	$ 9,849,618	$ 10,017,650

The accompanying notes are an integral part of these financial statements.

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CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019
(With Comparative Totals For the Year Ended September 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 8,734,058	$ 9,948,668
Cash paid to suppliers for goods and services	(6,678,124)	(5,835,593)
Cash paid to employees for services	(1,351,079)	(1,407,754)
Net cash provided by operating activities	704,855	2,705,321
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(470,000)	(470,000)
Net cash used for noncapital financing activities	(470,000)	(470,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	2,825,618
Acquisition of capital assets	(806,112)	(792,039)
Principal paid on bonds	(790,000)	(790,000)
Capital contributions	273,105	686,042
Interest and other charges paid on debt	(428,781)	(327,157)
Net cash provided (used) by capital and related financing activi	(1,751,788)	1,602,464
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	143,616	84,696
Net cash provided by investing activities	143,616	84,696
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,373,317)	3,922,481
CASH AND CASH EQUIVALENTS, BEGINNING	6,777,814	2,855,333
CASH AND CASH EQUIVALENTS, ENDING (Including $4,859,445 and $5,132,002 reported as restricted cash and investments)	$ 5,404,497	$ 6,777,814

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019
(With Comparative Totals For the Year Ended September 30, 2018)

	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 226,555	$ 1,207,722
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,261,148	1,278,385
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	(353,818)	(4,823)
Other receivables	3,745	29,807
Inventories	(28,567)	(18,766)
Prepaid and other assets	(18,971)	(18,584)
Deferred outflow related to pensions	(192,273)	141,447
Deferred outflow related to OPEB	(611)	(2,978)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(452,210)	305,810
Accrued liabilities	8,859	699
Customer deposits	(27,920)	(112,448)
Compensated absences	(11,584)	3,635
Other post employment benefits	17,480	-
Net pension liability	376,102	(220,835)
Deferred inflow related to pensions	(107,351)	116,250
Deferred inflow related to OPEB	4,271	-
Net cash provided by operating activities	$ 704,855	$ 2,705,321
Schedule of non-cash capital and related financing activities:		
Donation of capital assets	$ -	$ 531,519

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Highland Village adopted a Home Rule Charter in April 1985 and operates under a Council-Manager form of government. All powers of the City are vested in an elected Council, which enacts local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of seven members, a mayor and six Councilpersons elected by the City's residents.

The City's Comprehensive Annual Financial Report presents the financial position, changes in financial position and cash flows where applicable of the City. The reporting entity is the primary government and those component units for which the primary government is financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

City of Highland Village voters, in November 2004, approved, in a special election, the creation of the Highland Village Community Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation, and projects from revenues derived from a one-half cent sales tax within the City of Highland Village. The City Council appoints a board and board members are removable by the City Council, for cause or at will. Four out of seven board members are on City Council. In the event of dissolution title of all the assets transfer to the City. The operational responsibility of the Community Development Corporation is managed essentially the same manner as other City programs and activities. The Community Development Corporation is reported as a Special Revenue Fund. Financial statement information can be obtained by contacting the Highland Village Community Development Corporation, 1000 Highland Village Rd., Highland Village, Texas 75077.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the operating fund of the City. It is utilized to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund – is utilized to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Projects Fund – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

The City reports the following major proprietary fund:

Enterprise – Water and Wastewater Fund – is used to account for the water and wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include administration, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

Cash and Investments

For the purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less.

Investments in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current traction between willing parties.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade receivables are shown net of allowance for uncollectible accounts based on an analysis of historical trends.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is 60 days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

Unbilled Services

Utility operating revenues (water, sewer and refuse collection) are billed on monthly cycles. Customers are billed for periods ending the 15th of each month on the last day of the month. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "reserve bond debt service" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "construction funds" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

Impact fees collected from developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development are set aside in the "capital improvements" account.

Deposits collected from utility customers are set aside until repayment.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets within an initial, individual cost threshold by asset class and an estimated useful life in excess of four years. Such assets are recorded at historical cost or an estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation expense is calculated principally on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives and capitalization thresholds of capital asset classes are as follows:

Capital Asset Class	Capitalization Threshold	Useful Life (Years)
Land	$ 50,000	Indefinite
Infrastructure	250,000	20
Buildings and Improvements	100,000	30
Land Improvements	50,000	20
Machinery and equipment	5,000	5 - 10
Intangibles	5,000	5 - 10

Accrued Vacation

It is the City's policy to grant employees vacation leave earned at the rate of 10 days a year for at least one but less than 5 years continuous service, 15 days for at least 5 but less than 10 years continuous service, and 20 days for at least 10 years continuous service. Upon termination, the employee shall be paid at the hourly rate of pay such employee was earning on the effective date of termination.

The City also grants employees sick leave earned at the rate of 12 days a year. Upon termination, employees are paid for one-half of the actual number of days earned up to a maximum of 45 days. Obligations under compensated absence arrangements are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City utilizes the last-in first-out method of recognizing the use of compensated absences. Thus, unless it is anticipated that compensated absences of governmental fund types will be used/paid in excess of a normal year's accumulation, no amount is classified as current.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and other post-employment benefit contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the pension and other post-employment benefit liability – these effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, municipal court fines, ambulance, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has several types of these items that are recorded under the full accrual basis of accounting as followed:

- It is the difference in expected and actual pension experience.

- The pension and OPEB difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- The deferred gain is amortized over the shorter of the life of the refunded or refunding debt.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by Ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council. The City does not have assigned fund balance at year-end.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of debt related to capital assets and accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data and Reclassifications

Comparative total data for the prior year is presented only for the Enterprise Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits and investments are made in accordance with the provisions of the bank depository agreement or in any negotiable instrument the Council has authorized under the City's approved investment policy and the provisions of the Public Funds Investment Act of 1987, as amended.

Investments held at year-end are as follows:

	Carrying Value	Weighted Average Maturity (Days)
TexPool	$ 3,698,319	36
TexStar	905,520	18
Total investments	$ 4,603,839	

Cash and investments are reported as restricted assets as required by debt issues and City ordinance. The monies in government investment pools represent investments in TexPool and TexStar, investment pools for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), and TexPool, through which political subdivisions and other entities may invest public funds.

J.P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

TexPool and TexStar have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Both TexPool and TexStar are rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments are with TexPool and TexStar with maturities of less than one year.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investment pools' policies require a rating of AA or better from a nationally recognized rating agency.

Concentration of Credit Risk. The City's investments are issued or explicitly guaranteed by external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times. The City's cash deposits in the bank on September 30, 2019, were covered by federal depository insurance or by collateral held by the City's agent in the City's name.

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor governmental funds, including the applicable allowance for estimated uncollectible accounts, are as follows:

	General	Debt Service	Nonmajor Governmental	Enterprise	Total
Receivables:					
Taxes	$ 1,069,468	$ 17,609	$ 233,172	$ -	$ 1,320,249
Accounts	628,308	-	-	1,656,135	2,284,443
Unbilled	-	-	-	575,087	575,087
Other	20,659	-	24,654	3,857	49,170
Intergovernmental	-	-	599	-	599
Gross receivables	1,718,435	17,609	258,425	2,235,079	4,229,548
Less: allowance for uncollectibles	491,096	-	-	342,856	833,952
Net total receivables	$ 1,227,339	$ 17,609	$ 258,425	$ 1,892,223	$ 3,395,596

At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

General fund:		
Franchise taxes	$	4,732
Grants		29,809
Park fees		3,399
Service		52,851
Total general fund		90,791
Nonmajor governmental fund:		
Parks fees		56,144
Total nonmajor governmental fund		56,144
Total governmental funds	$	146,935

C. Interfund Balances and Transfers

Interfund balances as of year-end were as follows:

Receivable Fund	Payable Fund	Amounts
Water and Wastewater	Nonmajor governmental fund	63,549
General Fund	Nonmajor governmental fund	24,654

Balances resulted from the lag between the dates that payments for expenditures are made and the date an agency reimbursed the City.

The following is a summary of transfers:

	Transfers in			
Transfers out	General	Debt Service	Nonmajor Governmental	Total
General	$ -	$ -	$ 77,588	$ 77,588
Nonmajor governmental	64,200	806,827	-	871,027
Water and wastewater	470,000	-	-	470,000
	$ 534,200	$ 806,827	$ 77,588	$ 1,418,615

The purpose of transfers is as follows:

- The transfers to non-major governmental funds was for a drainage fee associated with imperious square footage of public buildings.
- The transfer from the Nonmajor Governmental Fund to the Debt Service Fund is a for debt service payments made on behalf of the HVCDC.
- The transfer from Nonmajor Governmental Fund to the General Fund is for support services.
- The transfer from the Water and Wastewater Fund to the General Fund represents a payment in lieu of taxes.
- The transfer between non-major funds was for a reimbursement for support services DCCSF and TDEM reimbursements.

D. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 17,183,848	$ -	$ -	$ 17,183,848
Construction in progress	476,047	1,933,567	(640,682)	1,768,932
Total assets not being depreciated	17,659,895	1,933,567	(640,682)	18,952,780
Capital assets, being depreciated:				
Land improvements	24,065,143	259,537	481,380	24,806,060
Buildings and improvements	15,836,740	-	159,302	15,996,042
Equipment	8,986,723	1,715,128	(681,221)	10,020,630
Infrastructure	41,904,326	-	-	41,904,326
Intangibles	537,690	-	-	537,690
Total capital assets being depreciated	91,330,622	1,974,665	(40,539)	93,264,748
Less accumulated depreciation:				
Land improvements	8,485,902	1,044,057	-	9,529,959
Buildings and improvements	9,010,358	760,851	-	9,771,209
Equipment	6,295,623	578,450	(681,221)	6,192,852
Infrastructure	24,747,909	984,268	-	25,732,177
Intangibles	257,461	69,746	-	327,207
Total accumulated depreciation	48,797,253	3,437,372	(681,221)	51,553,404
Total capital assets being depreciated, net	42,533,369	(1,462,707)	640,682	41,711,344
Governmental activities capital assets, net	$ 60,193,264	$ 470,860	$ -	$ 60,664,124

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 75,713	$ -	$ -	$ 75,713
Construction in progress	91,697	681,236	(732,459)	40,474
Total assets not being depreciated	167,410	681,236	(732,459)	116,187
Capital assets, being depreciated:				
Buildings	1,469,616	-	-	1,469,616
Improvements other than buildings	34,801,777	-	732,459	35,534,236
Equipment	1,981,248	124,875	(104,055)	2,002,068
Infrastructure	617,553	-	-	617,553
Intangibles	81,737	-	-	81,737
Total capital assets being depreciated	38,951,931	124,875	628,404	39,705,210
Less accumulated depreciation:				
Buildings	535,910	71,921	-	607,831
Improvements other than buildings	20,285,011	1,079,229	-	21,364,240
Equipment	1,433,364	105,773	(104,055)	1,435,082
Infrastructure	607,721	613	-	608,334
Intangibles	77,328	3,611	-	80,939
Total accumulated depreciation	22,939,334	1,261,147	(104,055)	24,096,426
Total capital assets being depreciated, net	16,012,597	(1,136,272)	732,459	15,608,784
Business-type activities capital assets, net	$ 16,180,007	$(455,036)	$ -	$ 15,724,971

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
City manager	$ 16,759
Finance	34,453
Human resources	6,320
City secretary	28,460
Information Services	62,569
Maintenance	48,005
Community services	10,594
Police	343,168
Fire	375,199
Streets and drainage	1,223,371
Park and recreation	1,288,474
Total depreciation expense - governmental activities	$ 3,437,372
Business-type activities:	
Water and wastewater	$ 1,261,147
Total depreciation expense - business-type activities	$ 1,261,147

E. Construction Commitments

The City has active construction projects as of September 30, 2019. At year-end the City's commitments with contractors are as follows:

Projects	Spent to Date	Remaining Commitment
Governmental activities:		
Highland Village Rd. Phase II-A – Engineering only	$ 53,150	$ 36,150
ICS CAD/RMS Software	341,095	45,653
Roof Replacement	834,384	323,975
2018 Street Improvements	603,007	772,600
Victoria Park Sidewalk Improvements – Engineering only	24,190	4,210
Unity Softball Fields	975,982	45,104
Unity Pond Expansions	126,102	255,298
Chapel Hill Sidewalk Improvements - Engineering only	26,650	2,600
Unity Park Entry Plaza - Engineering only	26,675	6,225
Sunset Point Park	4,045	131,534
Kids Kastle Community Playground	2,464	78,891
Business activities:		
Spruce Drive Water Line Replacement – Engineering only	$ 4,135	$ 565
12" Water Line Northwest of City – Engineering only	23,941	104,859
Glenmere, Camden, Turpin, La Mesa Water and Sewer Line	12,398	70,802

F. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are payable and pledged from the levy and collection of a direct and continuing annual ad valorem tax. General obligation bonds currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
General obligation refunding and improvement bonds	2.00 - 4.00	2011	2022	4,070,000	$ 645,000
General obligation refunding and improvement bonds - Direct Placement	2.04	2015	2028	7,700,000	5,975,000
General obligation refunding bonds - Direct Placement	2.28	2017	2029	2,435,000	1,520,000
General obligation refunding and improvement bonds	3.00 - 4.00	2018	2038	6,905,000	6,860,000
Total governmental activities					15,000,000
Business-type activities:					
General obligation refunding bonds	2.00 - 3.00	2012	2024	4,565,000	1,650,000
General obligation refunding bonds - Direct Placement	2.28	2017	2029	4,050,000	3,480,000
Total business-type activities					5,130,000
Total general obligation bonds outstanding					$ 20,130,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	$ 470,000	$ 233,400	$ 310,000	$ 44,850
2021	490,000	214,200	320,000	35,400
2022	510,000	194,200	330,000	25,650
2023	295,000	178,100	340,000	15,600
2024	310,000	167,550	350,000	5,250
2025-2029	1,675,000	691,875	-	-
2030-2034	1,960,000	419,700	-	-
2035-2038	1,795,000	109,725	-	-
Total	$ 7,505,000	$ 2,208,750	$ 1,650,000	$ 126,750

General Obligation Bonds - Direct Placement

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	$ 940,000	$ 146,541	$ 300,000	$ 75,758
2021	955,000	126,525	300,000	68,933
2022	980,000	106,083	310,000	61,994
2023	1,145,000	83,685	320,000	54,828
2024	1,180,000	59,230	320,000	47,548
2025-2029	2,295,000	85,527	1,930,000	106,925
Total	$ 7,495,000	$ 607,591	$ 3,480,000	$ 415,986

Combination Tax and Revenue Certificates of Obligation

The City also issues bonds where the government pledges a combination of the levy and collection of a direct and continuing annual ad valorem tax plus a limited pledge ($2,500) of the net revenues from the Water and Sewer System to pay debt service. Combination tax and revenue certificates of obligation have been issued for both governmental and business-type activities. Combination tax and revenue certificates of obligation outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Combination tax and revenue certificates of obligation	2.00 - 3.50	2012	2032	2,795,000	$ 2,150,000
Combination tax and revenue certificates of obligation	2.00 - 4.00	2014	2034	7,020,000	6,615,000
Total governmental activities					8,765,000
Business-type activities:					
Combination tax and revenue certificates of obligation	2.00 - 4.00	2013	2034	4,540,000	4,105,000
Combination tax and revenue certificates of obligation	3.00 - 4.00	2018	2028	2,715,000	2,715,000
Total business-type activities					6,820,000
Total certificates of obligation outstanding					$ 15,585,000

Combination tax and revenue certificates of obligation debt service requirements to maturity are as follows:

Certificates of Obligation

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2020	$ 505,000	$ 254,153	$ 280,000	$ 215,806
2021	515,000	242,578	295,000	208,806
2022	530,000	230,703	295,000	201,269
2023	540,000	218,040	300,000	193,181
2024	555,000	204,578	315,000	184,519
2025-2029	3,005,000	781,551	2,075,000	719,216
2030-2034	3,115,000	266,715	2,470,000	336,651
2035-2038	-	-	790,000	49,672
Total	$ 8,765,000	$ 2,198,318	$ 6,820,000	$ 2,109,120

Tax Notes

The City also issues tax notes for the purpose of paying contractual obligations to be incurred for the acquisition of equipment and construction of certain land improvements. The tax notes are payable from proceeds of ad valorem tax levied upon all taxable property in the City. Tax notes currently outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Tax Note	1.590 %	2015	2022	$ 1,535,000	$ 865,000

Tax Notes debt service requirements to maturity are as follows:

Tax Notes - Direct Placement

Year Ending September 30,	Governmental Activities Principal	Interest
2020	$ 285,000	$ 11,488
2021	290,000	6,917
2022	290,000	2,306
Total	$ 865,000	$ 20,711

G. Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations	$ 16,160,000	$ -	$ 1,160,000	$ 15,000,000	$ 1,410,000
Combination tax and revenue CO	9,255,000	-	490,000	8,765,000	505,000
Tax note	1,145,000	-	280,000	865,000	285,000
Issuance premium	334,559	-	38,796	295,763	38,796
Total bonds payable	26,894,559	-	1,968,796	24,925,763	2,238,796
Capital lease obligation	130,202	-	130,202	-	-
Compensated absences	1,064,683	898,945	845,615	1,118,013	887,972
Governmental activities long-term liabilities	$ 28,089,444	$ 898,945	$ 2,944,613	$ 26,043,776	$ 3,126,768

The General Fund has typically been used to liquidate governmental activities compensated absences and net pension liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 5,725,000	$ -	$ 595,000	$ 5,130,000	$ 610,000
Combination tax and revenue CO	7,040,000	-	220,000	6,820,000	280,000
Issuance premium	249,676	-	29,052	220,624	29,053
Total bonds payable	13,014,676	-	844,052	12,170,624	919,053
Compensated absences	131,782	104,573	116,157	120,198	105,947
Business-type activities long-term liabilities	$ 13,146,458	$ 104,573	$ 960,209	$ 12,290,822	$ 1,025,000

If the City were to default on any of the bonds or tax notes, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make a payment.

H. Retirement Plan

Plan Descriptions. The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credit	100% repeating
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	112
Active employees	150
	333

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.56% and 13.35% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $1,238,128 and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	$ 40,147,182	$ 36,778,368	$ 3,368,814
Changes for the year:			
Service cost	1,767,329	-	1,767,329
Interest	2,735,944	-	2,735,944
Difference between expected and actual experience	(171,841)	-	(171,841)
Changes of assumptions	-	-	-
Contributions - employer	-	1,367,635	(1,367,635)
Contributions - employee	-	706,528	(706,528)
Net investment income	-	(1,102,494)	1,102,494
Benefit payments, including refunds of employee contributions	(996,678)	(996,678)	-
Administrative expense	-	(21,292)	21,292
Other changes	-	(1,111)	1,111
Net changes	3,334,754	(47,412)	3,382,166
Balance at 12/31/2019	$ 43,481,936	$ 36,730,956	$ 6,750,980

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 13,611,811	$ 6,750,980	$ 1,196,118

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.com.*

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2019, the City recognized pension expense of $1,934,381. At September 30, 2019, the City reported deferred outflows and inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 286,336
Changes in actuarial assumptions	21,455	-
Difference between projected and actual investment earnings	1,901,735	-
Contributions subsequent to the measurement date	907,217	-
Totals	$ 2,830,407	$ 286,336

$907,217 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,		
2020	$	539,378
2021		180,729
2022		215,362
2023		701,385

I. Defined Other Post-Employment Benefit Plan – TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	23
Active employees	150
Total	220

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.15% for 2019 and 0.15% for 2018, of which 0.02% and 0.02%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2019 and 2018 were $1,847 and $2,006, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability

The City's total OPEB liability of $342,800 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	3.71%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 10.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.71% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2018.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.71%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB Liability	$ 415,849	$ 342,800	$ 286,480

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2018	$ 343,739
Changes for the year:	
Service cost	20,187
Interest	11,678
Changes of assumptions	(27,003)
Benefit payments	(2,019)
Net changes	(939)
Balance at 12/31/2019	$ 342,800

Changes in assumptions and other inputs reflect a change in the discount rate from 3.31% to 3.71%.

OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2019, the City recognized OPEB expense of $31,669. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

At September 30, 2019, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 3,213
Changes in actuarial assumptions	20,621	22,942
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	1,359	-
Totals	$ 21,980	$ 26,155

$1,359 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2020. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2020	$(195)
2021	(195)
2022	(195)
2023	(194)
2024	(1,748)
Thereafter	(3,008)

J. Commitments and Contingencies

Upper Trinity Regional Water District ("UTRWD")

The City of Highland Village entered into a contract with the Upper Trinity Regional Water District Lakeview Regional Water Reclamation System (sewer plant), in June 1995, to meet its long-term wastewater treatment needs. The UTRWD has issued a series of bonds to provide for capital funding for the expansion and refurbishment of the Lakeview Sewer Plant and to construct the regional sewer system with all of said bonds to be payable from and secured by annual payments made by participating members. In fiscal year 2019, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City paid fixed operations and maintenance cost of $403,500/MGD, $689,720/MGD for joint facilities, and $233,795 for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.25/1,000 gallons.

In fiscal year 2019, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.09/1,000 gallons, with an annual demand charge of $439,650/MGD.

For fiscal year 2020, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City is committed to pay fixed operations and maintenance cost of $403,500/MGD, facility charges of $671,540 for joint facilities, and $232,540 annually for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.25/1,000 gallons.

In fiscal year 2018, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.12/1,000 gallons, with an annual demand charge of $448,745/MGD.

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. At year-end the amount of encumbrances expected to be honored in the next year were as follows:

Fund	Amount
General	$ 1,046,907
Other governmental	805,519
Total	$ 1,852,426

Lawsuits

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability and property coverage is insured by the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool. The City's only responsibility to the Fund is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

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REQUIRED
SUPPLEMENTARY INFORMATION

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CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 15,331,052	$ 15,331,052	$ 15,297,756	$(33,296)
Fines and forfeitures	97,920	97,920	106,281	8,361
Licenses, permits and fees	955,410	955,410	894,287	(61,123)
Intergovernmental	-	-	2,488	2,488
Charges for services	473,237	473,237	539,265	66,028
Investment earnings	184,000	184,000	228,347	44,347
Miscellaneous	140,550	140,550	193,343	52,793
Total revenues	17,182,169	17,182,169	17,261,767	79,598
EXPENDITURES				
Current:				
General government:				
City manager:				
Personnel	413,580	448,580	441,768	6,812
Services and supplies	294,303	249,303	188,264	61,039
Total city manager	707,883	697,883	630,032	67,851
Finance:				
Personnel	999,682	1,034,682	1,010,991	23,691
Services and supplies	615,012	615,012	579,667	35,345
Total finance	1,614,694	1,649,694	1,590,658	59,036
Human resources:				
Personnel	387,238	337,238	310,837	26,401
Services and supplies	133,422	121,422	89,859	31,563
Total human resources	520,660	458,660	400,696	57,964
City secretary:				
Personnel	211,309	219,309	208,055	11,254
Services and supplies	149,217	149,217	103,675	45,542
Total city secretary	360,526	368,526	311,730	56,796
Information technology:				
Personnel	677,841	677,841	669,049	8,792
Services and supplies	436,903	436,903	432,237	4,666
Capital outlay	-	43,000	42,810	190
Total information technology	1,114,744	1,157,744	1,144,096	13,648
Maintenance:				
Personnel	345,802	345,802	340,863	4,939
Services and supplies	579,485	1,129,485	696,913	432,572
Total maintenance	925,287	1,475,287	1,037,776	437,511

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Public safety:				
Police:				
Personnel	$ 4,492,789	$ 4,442,789	$ 4,402,141	$ 40,648
Services and supplies	389,350	374,350	310,946	63,404
Capital outlay	165,000	165,000	172,527	(7,527)
Total police	5,047,139	4,982,139	4,885,614	96,525
Fire:				
Personnel	2,443,277	2,463,277	2,481,592	(18,315)
Services and supplies	341,321	341,321	335,843	5,478
Capital outlay	1,104,000	1,104,000	1,067,921	36,079
Total fire	3,888,598	3,908,598	3,885,356	23,242
Community services:				
Personnel	447,996	447,996	421,603	26,393
Services and supplies	23,453	23,453	13,460	9,993
Total building operations	471,449	471,449	435,063	36,386
Streets and drainage:				
Personnel	697,196	747,196	709,220	37,976
Services and supplies	718,501	809,501	629,018	180,483
Capital outlay	75,000	85,000	111,514	(26,514)
Total streets and drainage	1,490,697	1,641,697	1,449,752	191,945
Parks and recreation:				
Personnel	1,380,670	1,395,670	1,398,139	(2,469)
Services and supplies	923,737	923,737	839,730	84,007
Capital outlay	240,000	606,000	472,119	133,881
Total parks and recreation	2,544,407	2,925,407	2,709,988	215,419
Debt service:				
Principal	131,005	131,005	130,203	802
Interest and other charges	2,995	2,995	2,995	-
Total expenditures	18,820,084	19,871,084	18,613,959	1,257,125
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,637,915)	(2,688,915)	(1,352,192)	1,336,723
OTHER FINANCING SOURCES (USES)				
Transfers in	534,000	534,000	534,200	200
Transfers out	(66,000)	(66,000)	(77,588)	(11,588)
Total other financing sources and uses	468,000	468,000	456,612	(11,388)
NET CHANGE IN FUND BALANCE	(1,169,915)	(2,220,915)	(895,580)	1,325,335
FUND BALANCE, BEGINNING	7,550,925	7,550,925	7,550,925	-
FUND BALANCE, ENDING	$ 6,381,010	$ 5,330,010	$ 6,655,345	$ 1,325,335

BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Special Revenue Funds and the Debt Service Fund. The Capital Project Funds are appropriated on a project-length basis.

The appropriated budget is prepared by fund, department and three categories – personnel, services and supplies, and capital outlay. During the fiscal year, each department is responsible to not exceed the amounts budgeted in each of the three categories. Transfers of appropriations between categories or departments require the approval of council. Category subtotals of departmental expenditures thus provide the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2019, expenditures exceed appropriation in the following fund, function, department and category.

Fund	Function/Department	Category	Amount
General	Parks and Recreation	Personnel	2,469
General	Streets and drainage	Capital outlay	26,514
General	Public Safety/Police	Capital outlay	7,527
General	Public Safety/Fire	Personnel	18,315
Corps Leased Parks Fund	Parks and Recreation	Services and Supplies	2,881
Public Safety	Fire	Services and Supplies	7,530
Utility Drainage Fund	Streets and drainage	Capital outlay	17,396
Community Development	Parks and Recreation	Capital outlay	43,431

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CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Measurement Date December 31,	**2014**	**2015**
A. Total pension liability		
Service Cost	$ 1,370,530	$ 1,535,928
Interest (on the Total Pension Liability)	1,983,761	2,177,527
Difference between expected and actual experience	(10,973)	(226,332)
Changes of assumptions	-	196,596
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)
Net change in total pension liability	2,692,726	3,018,466
Total pension liability - beginning	27,979,470	30,672,196
Total pension liability - ending (a)	$ 30,672,196	$ 33,690,662
B. Plan fiduciary net position		
Contributions - employer	$ 1,070,712	$ 1,187,926
Contributions - employee	588,766	625,694
Net investment income	1,407,343	39,833
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)
Administrative expense	(14,690)	(24,263)
Other	(1,208)	(1,197)
Net change in plan fiduciary net position	2,400,331	1,162,740
Plan fiduciary net position - beginning	24,595,321	26,995,652
Plan fiduciary net position - ending (b)	$ 26,995,652	$ 28,158,392
C. Net pension liability - ending (a) - (b)	$ 3,676,544	$ 5,532,270
D. Plan fiduciary net position as a percentage of total pension liability	88.01%	83.58%
E. Covered payroll	$ 8,410,947	$ 8,940,209
F. Net position liability as a percentage of covered payroll	43.71%	61.88%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2019, only 5 years are included and additional years will be added in the future as the information becomes available.

2016	2017	2018
$ 1,646,661	$ 1,710,282	$ 1,767,329
2,307,773	2,521,112	2,735,944
(95,490)	(173,461)	(171,841)
-	-	-
(649,521)	(810,836)	(996,678)
3,209,423	3,247,097	3,334,754
33,690,662	36,900,085	40,147,182
$ 36,900,085	$ 40,147,182	$ 43,481,936
$ 1,229,404	$ 1,325,468	$ 1,367,635
651,959	680,226	706,528
1,903,485	4,336,041	(1,102,494)
(649,521)	(810,836)	(996,678)
(21,492)	(22,461)	(21,292)
(1,158)	(1,138)	(1,112)
3,112,677	5,507,299	(47,412)
28,158,392	31,271,069	36,778,368
$ 31,271,069	$ 36,778,368	$ 36,730,956
$ 5,629,016	$ 3,368,814	$ 6,750,980
84.75%	91.61%	84.47%
$ 9,313,695	$ 9,717,511	$ 10,093,257
60.44%	34.67%	66.89%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Fiscal Year Ended September 30,	**2014**	**2015**
Actuarial determined contribution	$ 1,049,673	$ 1,163,130
Contributions in relation to the actuarially determined contribution	1,049,673	1,163,130
Contribution deficiency (excess)	-	-
Covered payroll	8,329,839	8,859,846
Contributions as a percentage of covered payroll	12.60%	13.13%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2019, only 6 years are included and additional years will be added in the future as the information becomes available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit change during this year.

2016	2017	2018	2019
$ 1,258,570	$ 1,303,201	$ 1,362,529	$ 1,238,128
1,258,570	1,303,201	1,362,529	1,238,128
-	-	-	-
9,517,623	9,628,107	10,031,460	9,235,981
13.22%	13.54%	13.58%	13.41%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Measurement Date December 31,	**2017**	**2018**
A. Total OPEB liability		
Service Cost	$ 16,520	$ 20,187
Interest (on the Total OPEB Liability)	11,181	11,678
Difference between expected and actual experience	-	(3,782)
Changes of assumptions	29,489	(27,003)
Benefit payments, including refunds of employee contributions	(1,944)	(2,019)
Net change in Total OPEB liability	55,246	(939)
Total OPEB liability - ending	$ 343,739	$ 342,800
B. Covered-employee payroll	$ 9,717,511	$ 10,093,257
C. Total OPEB liability as a percentage of covered-employee payroll	3.54%	3.40%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

- This schedule is required to have 10 years of information. As of September 30, 2019, only 2 years are included and additional years will be added in the future as the information becomes available.

- Changes of assumptions generally includes the annual change in the municipal bond index rate.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Corps Leased Parks Fund – This fund is used to account for the operations of Corp Leased Parks. Park admission and usage fees charged to patrons are committed to finance operations.

Public Safety Fund – This fund accounts for funds received from local, state and federal sources for the purpose of supporting the City's Police and Fire programs.

Municipal Court Building Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Municipal Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, PCs and any other technology items needed for the court.

Utility Drainage Fund – This fund is used to account for fees collected for the purpose of improving, upgrading and maintaining the City's drainage system. The City is mandated by the Texas Commission on Environmental Quality (TCEQ) to develop and maintain a Storm Water Management Plan in order to address capacity and quality issues and protect its residents and their properties from possible flooding and pollution problems. Drainage fees are collected by residents to fund the activities required to comply TCEQ regulations.

PEG Fee Fund – This fund is used to account for public, educational, and governmental (PEG) fees charged to cable users, which are restricted for the City's PEG channel.

Community Development Corporation – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of capital improvements (other than those financed by proprietary funds). Such resources are derived from proceeds of general obligation debt, other sources designated for capital improvements and interest earned on such monies.

Park Development Fund – This fund accounts for development fees charged to property developers, which are committed for development and maintenance of City parks.

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue		
	Corps Leased Parks	Public Safety	Municipal Court Building Security
ASSETS			
Cash and investments	$ 256,497	$ 42,740	$ 35,473
Receivables:			
Taxes	-	-	-
Intergovernmental	-	599	-
Other	12,724	-	-
Prepaid items	3,833	-	-
Total assets	273,054	43,339	35,473
LIABILITIES			
Accounts payable	20,043	2,281	-
Accrued liabilities	4,887	15,378	-
Due to other funds	-	-	-
Unearned revenue	43,886	-	-
Total liabilities	68,816	17,659	-
FUND BALANCES			
Nonspendable - prepaid items	3,833	-	-
Restricted for:			
Community development	-	-	-
Public safety - law enforcement operations	-	25,680	35,473
Utility drainage operations	-	-	-
Public broadcasting	-	-	-
Committed - park development and maintenance	200,405	-	-
Total fund balances	204,238	25,680	35,473
Total liabilities, deferred inflows of resources, and fund balances	$ 273,054	$ 43,339	$ 35,473

Special Revenue				Capital Projects	Total
Municipal Court Technology	Utility Drainage	PEG Fee	Community Development Corporation	Park Development	Nonmajor Governmental Funds
$ 29,351	$ 301,020	$ 140,958	$ -	$ 71,061	$ 877,100
-	-	-	233,172	-	233,172
-	-	-	-	-	599
-	-	11,930	-	-	24,654
-	10,788	-	11,584	-	26,205
29,351	311,808	152,888	244,756	71,061	1,161,730
11	15,553	9	29,038	-	66,935
-	6,377	-	17,227	-	43,869
-	-	-	88,132	-	88,132
-	-	-	12,258	-	56,144
11	21,930	9	146,655	-	255,080
-	10,788	-	11,584	-	26,205
-	-	-	86,517	-	86,517
29,340	-	-	-	-	90,493
-	279,090	-	-	-	279,090
-	-	152,879	-	-	152,879
-	-	-	-	71,061	271,466
29,340	289,878	152,879	98,101	71,061	906,650
$ 29,351	$ 311,808	$ 152,888	$ 244,756	$ 71,061	$ 1,161,730

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue		
	Corps Leased Parks	Public Safety	Municipal Court Building Security
REVENUES			
Property taxes	$ -	$ -	$ -
Licenses, permits and fees	444,723	-	2,751
Intergovernmental	-	57,904	-
Investment earnings	24	-	-
Miscellaneous	-	-	-
Total revenues	444,747	57,904	2,751
EXPENDITURES			
Current:			
General government:			
Finance	-	-	-
Public safety:			
Police	-	22,359	-
Fire	-	7,530	-
Community services:			
Streets and drainage	-	-	-
Parks and recreation	414,575	-	-
Capital outlay	19,966	-	-
Total expenditures	434,541	29,889	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,206	28,015	2,751
OTHER FINANCING SOURCES (USES)			
Transfers in	-	11,588	-
Transfers out	-	(20,200)	-
Total other financing sources and uses	-	(8,612)	-
NET CHANGE IN FUND BALANCES	10,206	19,403	2,751
FUND BALANCES, BEGINNING	194,032	6,277	32,722
FUND BALANCES, ENDING	$ 204,238	$ 25,680	$ 35,473

Special Revenue				Capital Projects	Total
Municipal Court Technology	Utility Drainage	PEG Fee	Community Development Corporation	Park Development	Nonmajor Governmental Funds
$ -	$ -	$ -	$ 1,384,757	$ -	$ 1,384,757
3,667	501,797	49,711	54,651	-	1,057,300
-	-	-	-	-	57,904
-	6,417	-	737	1,624	8,802
-	120	-	-	-	120
3,667	508,334	49,711	1,440,145	1,624	2,508,883
6,330	-	10,524	-	-	16,854
-	-	-	-	-	22,359
-	-	-	-	-	7,530
-	541,874	-	-	-	541,874
-	-	-	494,307	-	908,882
-	67,396	-	43,431	-	130,793
6,330	609,270	10,524	537,738	-	1,628,292
(2,663)	(100,936)	39,187	902,407	1,624	880,591
-	66,000	-	-	-	77,588
-	(16,000)	-	(834,827)	-	(871,027)
-	50,000	-	(834,827)	-	(793,439)
(2,663)	(50,936)	39,187	67,580	1,624	87,152
32,003	340,814	113,692	30,521	69,437	819,498
$ 29,340	$ 289,878	$ 152,879	$ 98,101	$ 71,061	$ 906,650

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 1,884,171	$ 1,884,171	$ 1,875,255	$(8,916)
Investment earnings	1,400	1,400	10,276	8,876
Total revenues	1,885,571	1,885,571	1,885,531	(40)
EXPENDITURES				
Debt service:				
Principal	1,930,000	1,930,000	1,930,000	-
Interest and other charges	803,998	803,998	803,581	417
Total expenditures	2,733,998	2,733,998	2,733,581	417
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(848,427)	(848,427)	(848,050)	377
OTHER FINANCING SOURCES (USES)				
Transfers in	856,827	856,827	806,827	(50,000)
Total other financing sources and uses	856,827	856,827	806,827	(50,000)
NET CHANGE IN FUND BALANCE	8,400	8,400	(41,223)	(49,623)
FUND BALANCE, BEGINNING	159,489	159,489	159,489	-
FUND BALANCE, ENDING	$ 167,889	$ 167,889	$ 118,266	$(49,623)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CORPS LEASED PARKS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 470,725	$ 470,725	$ 444,723	$(26,002)
Investment earnings	300	300	24	(276)
Total revenues	471,025	471,025	444,747	(26,278)
EXPENDITURES				
Parks and recreation:				
Personnel	179,892	199,892	197,459	2,433
Services and supplies	209,235	214,235	217,116	(2,881)
Capital outlay	-	25,000	19,966	5,034
Total expenditures	389,127	439,127	434,541	4,586
NET CHANGE IN FUND BALANCE	81,898	31,898	10,206	(21,692)
FUND BALANCE, BEGINNING	194,032	194,032	194,032	-
FUND BALANCE, ENDING	$ 275,930	$ 225,930	$ 204,238	$(21,692)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 25,600	$ 45,600	$ 57,904	$ 12,304
Total revenues	25,600	45,600	57,904	12,304
EXPENDITURES				
Public safety:				
Police:				
Services and supplies	3,600	23,600	22,359	1,241
Fire:				
Services and supplies	-	-	7,530	(7,530)
Total expenditures	3,600	23,600	29,889	(6,289)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,000	22,000	28,015	6,015
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	11,588	11,588
Transfer out	(22,000)	(22,000)	(20,200)	1,800
Total other financing sources (uses)	(22,000)	(22,000)	(8,612)	13,388
NET CHANGE IN FUND BALANCE	-	-	19,403	19,403
FUND BALANCE, BEGINNING	6,277	6,277	6,277	-
FUND BALANCE, ENDING	$ 6,277	$ 6,277	$ 25,680	$ 19,403

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 2,700	$ 2,700	$ 2,751	$ 51
Total revenues	2,700	2,700	2,751	51
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	2,700	2,700	2,751	51
FUND BALANCE, BEGINNING	32,722	32,722	32,722	-
FUND BALANCE, ENDING	$ 35,422	$ 35,422	$ 35,473	$ 51

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 3,500	$ 3,500	$ 3,667	$ 167
Total revenues	3,500	3,500	3,667	167
EXPENDITURES				
General government:				
Services and supplies	5,700	9,700	6,330	3,370
Total expenditures	5,700	9,700	6,330	3,370
NET CHANGE IN FUND BALANCE	(2,200)	(6,200)	(2,663)	3,537
FUND BALANCE, BEGINNING	32,003	32,003	32,003	-
FUND BALANCE, ENDING	$ 29,803	$ 25,803	$ 29,340	$ 3,537

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UTILITY DRAINAGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 490,000	$ 490,000	$ 501,797	$ 11,797
Investment earnings	4,000	4,000	6,417	2,417
Miscellaneous	-	-	120	120
Total revenues	494,000	494,000	508,334	14,334
EXPENDITURES				
Street and drainage:				
Personnel	381,971	381,971	377,889	4,082
Services and supplies	150,665	165,665	163,985	1,680
Capital outlay	50,000	50,000	67,396	(17,396)
Total expenditures	582,636	597,636	609,270	(11,634)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(88,636)	(103,636)	(100,936)	2,700
OTHER FINANCING SOURCES (USES)				
Transfers in	66,000	66,000	66,000	-
Transfers out	(16,000)	(16,000)	(16,000)	-
Total other financing sources (uses)	50,000	50,000	50,000	-
NET CHANGE IN FUND BALANCE	(38,636)	(53,636)	(50,936)	2,700
FUND BALANCE, BEGINNING	340,814	340,814	340,814	-
FUND BALANCE, ENDING	$ 302,178	$ 287,178	$ 289,878	$ 2,700

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PEG FEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
PEG fees	$ 55,000	$ 55,000	$ 49,711	$(5,289)
Total revenues	55,000	55,000	49,711	(5,289)
EXPENDITURES				
General government:				
Services and supplies	19,400	19,400	10,524	8,876
Total expenditures	19,400	19,400	10,524	8,876
NET CHANGE IN FUND BALANCE	35,600	35,600	39,187	3,587
FUND BALANCE, BEGINNING	113,692	113,692	113,692	-
FUND BALANCE, ENDING	$ 149,292	$ 149,292	$ 152,879	$ 3,587

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 1,334,766	$ 1,334,766	$ 1,384,757	$ 49,991
Licenses, permits and fees	80,674	80,674	54,651	(26,023)
Investment earnings	800	800	737	(63)
Total revenues	1,416,240	1,416,240	1,440,145	23,905
EXPENDITURES				
Parks and recreation:				
Personnel	283,470	318,470	311,614	6,856
Services and supplies	200,630	225,630	182,693	42,937
Capital outlay	-	-	43,431	(43,431)
Total expenditures	484,100	544,100	537,738	6,362
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	932,140	872,140	902,407	30,267
OTHER FINANCING SOURCES (USES)				
Transfer out	(884,827)	(834,827)	(834,827)	-
Total other financing sources (uses)	(884,827)	(834,827)	(834,827)	-
NET CHANGE IN FUND BALANCE	47,313	37,313	67,580	30,267
FUND BALANCE, BEGINNING	30,521	30,521	30,521	-
FUND BALANCE, ENDING	$ 77,834	$ 67,834	$ 98,101	$ 30,267

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	$ 400	$ 400	$ 1,624	$ 1,224
Total revenues	400	400	1,624	1,224
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	400	400	1,624	1,224
FUND BALANCE, BEGINNING	69,437	69,437	69,437	-
FUND BALANCE, ENDING	$ 69,837	$ 69,837	$ 71,061	$ 1,224

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENT FUNDS BY SOURCE

SEPTEMBER 30, 2019

GENERAL CAPITAL ASSETS	
Land	$ 17,183,848
Land improvements	24,806,060
Building and improvements	15,996,042
Equipment	10,020,630
Other capital assets	537,690
Infrastructure	41,904,326
Construction in progress	1,768,932
Total general capital assets	$ 112,217,528
INVESTMENT IN GENERAL CAPITAL ASSETS	
Investment in general capital assets acquired prior to October 1, 1990	$ 655,037
General fund	11,512,372
Vehicle replacement fund	670,674
Special revenue funds	23,595,676
Capital project funds	28,606,062
Donations	47,177,707
Total investment in general capital assets	$ 112,217,528

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CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY

SEPTEMBER 30, 2019

Department	Land	Land Improvements	Building Improvements
City Manager	$ 430,748	$ -	$ 265,915
Finance	26,652	-	412,718
Human Resources	8,812	-	113,185
City Secretary	41,479	-	511,673
Information services	-	-	-
Police	214,495	93,641	2,765,228
Fire	41,800	19,796	4,445,595
Building Operations	8,928	-	142,993
Streets and Drainage	11,571,914	1,007,402	885,794
Maintenance	65,609	-	775,361
Drainage Operations	-	29,200	451,842
Parks and Recreation	4,773,411	23,656,021	5,225,738
Total general capital assets	$ 17,183,848	$ 24,806,060	$ 15,996,042

Equipment	Other Assets	Infrastructure	Construction in Progress	Total
$ 54,275	$ -	$ -	$ -	$ 750,938
414,433	141,029	-	-	994,832
-	13,388	-	-	135,385
-	18,447	-	-	571,599
316,411	-	-	-	316,411
2,238,231	347,369	-	-	5,658,964
3,478,638	-	-	-	7,985,829
53,339	-	-	-	205,260
1,142,495	-	41,468,681	581,846	56,658,132
166,922	-	-	-	1,007,892
835,769	-	435,645	-	1,752,456
1,320,117	17,457	-	1,187,086	36,179,830
$ 10,020,630	$ 537,690	$ 41,904,326	$ 1,768,932	$ 112,217,528

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Department	Balance September 30, 2018	Additions	Retirements / Transfers	Balance September 30, 2019
City manager	$ 750,938	$ -	$ -	$ 750,938
Finance	994,832	-	-	994,832
Human resources	135,385	-	-	135,385
City secretary	571,599	-	-	571,599
Information services	273,601	42,810	-	316,411
Police	5,511,083	171,424	23,543	5,658,964
Fire	7,400,139	1,137,921	552,231	7,985,829
Building operations	205,260	-	-	205,260
Streets and drainage	56,068,663	630,618	41,149	56,658,132
Maintenance	1,007,892	-	-	1,007,892
Drainage operations	1,685,060	67,396	-	1,752,456
Parks and recreation	34,386,064	1,858,063	64,297	36,179,830
Total capital assets	$ 108,990,516	$ 3,908,232	$ 681,220	$ 112,217,528

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Highland Village, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	77
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	87
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	92
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	99
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	101

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF HIGHLAND VILLAGE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
Governmental activities:				
Net investments in capital assets	$ 37,529,766	$ 36,432,805	$ 36,579,491	$ 38,572,424
Restricted:				
Debt service	236,654	262,165	259,678	77,964
Community development	1,114,888	1,156,675	1,073,212	592,076
Public safety	-	76,953	86,057	92,018
Utility dtainage	-	433,566	283,352	171,166
Public broadcasting	-	-	10,738	6,291
Capital projects	386,322	-	-	-
Unrestricted	4,840,585	4,208,202	4,454,302	3,906,066
Total governmental activities net assets	$ 44,108,215	$ 42,570,366	$ 42,746,830	$ 43,418,005
Business-type activities:				
Invested in capital assets, net of related debt	$ 5,664,677	$ 7,149,038	$ 6,393,534	$ 6,442,425
Restricted:				
Capital projects	1,457,105	1,657,116	1,110,634	850,597
Unrestricted	2,130,193	2,830,923	3,079,711	3,594,106
Total business-type activities net assets	$ 9,251,975	$ 11,637,077	$ 10,583,879	$ 10,887,128
Primary government:				
Invested in capital assets, net of related debt	$ 43,194,443	$ 43,581,843	$ 42,973,025	$ 45,014,849
Restricted:				
Debt service	236,654	262,165	259,678	77,964
Community Development	1,114,888	1,156,675	1,073,212	592,076
Public safety	-	76,953	86,057	92,018
Utility dtainage	-	433,566	283,352	171,166
Public broadcasting	-	-	10,738	6,291
Capital projects	1,843,427	1,657,116	1,110,634	850,597
Unrestricted	6,970,778	7,039,125	7,534,013	7,500,172
Total primary government net assets	$ 53,360,190	$ 54,207,443	$ 53,330,709	$ 54,305,133

Note:

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Fiscal Year					
2014	2015	2016	2017	2018	2019
$39,860,121	$40,160,271	$40,067,568	$40,453,356	$40,191,697	$41,212,165
100,918	62,822	59,725	99,242	-	51,762
533,841	968,043	647,532	106,954	30,521	86,517
94,120	84,158	78,495	87,901	71,002	90,493
161,368	165,456	240,467	298,327	340,814	279,090
17,420	30,276	36,094	65,266	113,692	152,879
-	-	-	-	-	-
3,931,056	2,210,827	2,005,564	3,907,904	3,603,647	2,045,989
$ 44,698,844	$ 43,681,853	$ 43,135,445	$ 45,018,950	$ 44,351,373	$ 43,918,895
$ 6,325,308	$ 5,519,051	$ 6,738,242	$ 6,603,211	$ 6,875,079	$ 6,592,993
854,369	859,804	883,399	851,976	897,706	1,047,080
3,142,581	2,830,311	2,030,254	1,421,159	2,244,865	2,209,545
$ 10,322,258	$ 9,209,166	$ 9,651,895	$ 8,876,346	$ 10,017,650	$ 9,849,618
$ 46,185,429	$ 45,679,322	$ 46,805,810	$ 47,056,567	$ 47,066,776	$ 47,805,158
100,918	62,822	59,725	99,242	-	51,762
533,841	968,043	647,532	106,954	30,521	86,517
94,120	84,158	78,495	87,901	71,002	90,493
161,368	165,456	240,467	298,327	340,814	279,090
17,420	30,276	36,094	65,266	113,692	152,879
854,369	859,804	883,399	851,976	897,706	1,047,080
7,073,637	5,041,138	4,035,818	5,329,063	5,848,512	4,255,534
$ 55,021,102	$ 52,891,019	$ 52,787,340	$ 53,895,296	$ 54,369,023	$ 53,768,513

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
EXPENSES				
Governmental activities:				
General government	$ 3,309,453	$ 4,061,944	$ 3,866,847	$ 4,012,367
Public safety	5,716,458	6,057,589	6,172,127	6,220,099
Building operations	347,208	311,579	366,097	-
Community development	510,371	-	-	-
Community services	-	-	-	386,807
Streets and drainage	2,252,522	2,323,968	2,436,763	2,554,759
Parks and recreation	2,548,972	2,869,595	3,012,260	3,059,741
Interest on long-term debt	974,478	844,711	786,492	766,603
Total governmental activities expenses	15,659,462	16,469,386	16,640,586	17,000,376
Business-type activities:				
Water and wastewater	8,086,711	7,956,791	9,674,321	7,782,455
Total business-type activities expenses	8,086,711	7,956,791	9,674,321	7,782,455
Total primary government program expenses	$ 23,746,173	$ 24,426,177	$ 26,314,907	$ 24,782,831
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 243,938	$ 247,160	$ 270,446	$ 346,896
Public safety	200,990	228,724	244,070	234,931
Building operations	-	328,780	287,245	-
Community services	-	-	-	326,450
Community development	293,338	-	-	-
Streets and drainage	397,886	401,583	404,726	399,727
Parks and recreation	393,737	452,633	502,356	408,598
Operating grants and contributions	227,209	148,982	223,526	79,277
Capital grants and contributions	-	72,385	202,669	1,541,554
Total primary government program revenues	1,757,098	1,880,247	2,135,038	3,337,433
Business-type activities:				
Charges for services:				
Water and wastewater	7,348,133	9,062,987	8,751,077	8,486,005
Capital grants and contributions	106,473	193,982	145,701	79,560
Total business-type activies program revenues	7,454,606	9,256,969	8,896,778	8,565,565
Total primary government program revenues	$ 9,211,704	$ 11,137,216	$ 11,031,816	$ 11,902,998

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 4,089,989	$ 4,330,662	$ 4,392,360	$ 4,654,057	$ 5,648,223	$ 5,442,819
6,361,961	6,848,781	7,782,368	7,850,784	7,915,283	8,591,670
-	-	-	-	-	-
-	-	-	-	-	-
389,300	415,562	446,470	495,494	499,071	469,914
3,157,921	2,546,268	2,826,584	2,953,293	2,956,194	3,139,410
3,199,066	3,199,678	3,534,661	3,740,883	4,099,709	4,520,227
887,123	836,051	699,315	605,867	719,953	694,525
18,085,360	18,177,002	19,681,758	20,300,378	21,838,433	22,858,565
8,530,306	8,525,158	8,500,825	8,698,522	9,195,566	9,226,804
8,530,306	8,525,158	8,500,825	8,698,522	9,195,566	9,226,804
$ 26,615,666	$ 26,702,160	$ 28,182,583	$ 28,998,900	$ 31,033,999	$ 32,085,369
$ 349,821	$ 331,895	$ 283,062	$ 294,421	$ 300,258	$ 375,503
291,234	285,879	429,534	527,165	539,212	564,324
-	-	-	-	-	-
424,368	388,580	524,273	770,577	468,954	405,907
-	-	-	-	-	-
469,914	474,492	517,450	495,438	503,839	501,797
474,319	474,514	654,906	724,620	818,946	775,852
44,048	32,377	44,839	126,776	92,883	34,894
1,731,955	1,353,726	221,974	235,846	65,314	125,493
3,785,659	3,341,463	2,676,038	3,174,843	2,789,406	2,783,770
8,101,643	7,888,614	8,011,036	8,224,755	10,036,132	9,112,051
148,467	104,191	911,608	141,554	686,042	273,105
8,250,110	7,992,805	8,922,644	8,366,309	10,722,174	9,385,156
$ 12,035,769	$ 11,334,268	$ 11,598,682	$ 11,541,152	$ 13,511,580	$ 12,168,926

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
NET (EXPENSE) REVENUES				
Governmental activities	$(13,902,364)	$(14,589,139)	$(14,505,548)	$(13,700,224)
Business-type activities	(632,105)	1,300,178	(777,543)	766,821
Total primary government net expense	(14,534,469)	(13,288,961)	(15,283,091)	(12,933,403)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	9,487,593	9,323,925	9,397,945	9,336,875
Franchise	1,417,221	1,412,034	1,582,402	1,640,398
Sales	2,781,423	3,004,273	3,252,413	3,304,660
Unrestricted investment earnings	74,569	45,144	32,737	38,059
Intergovernmental contributions	-	-	-	-
Gain on sale of assets	-	33,260	27,485	-
Miscellaneous	210,188	281,566	89,030	199,282
Special item	-	-	-	-
Transfers	276,500	(1,048,912)	300,000	300,000
Total governmental activities	14,247,494	13,051,290	14,682,012	14,819,274
Business-type activities:				
Unrestricted investment earnings	64,597	36,012	24,345	12,142
Intergovernmental contributions	-	-	-	-
Miscellaneous	-	-	-	-
Transfers	(276,500)	1,048,912	(300,000)	(300,000)
Total business-type activities	(211,903)	1,084,924	(275,655)	(287,858)
Total primary government	14,035,591	14,136,214	14,406,357	14,531,416
CHANGE IN NET POSITION				
Governmental activities	345,130	(1,537,849)	176,464	1,119,050
Business-type activities	(844,008)	2,385,102	(1,053,198)	478,963
Total primary government	$(498,878)	$ 847,253	$(876,734)	$ 1,598,013

Fiscal Year					
2014	2015	2016	2017	2018	2019
$(14,299,701)	$(14,835,539)	$(17,005,720)	$(17,125,535)	$(19,049,027)	$(20,074,795)
(280,196)	(532,353)	421,819	(332,213)	1,526,608	158,352
(14,579,897)	(15,367,892)	(16,583,901)	(17,457,748)	(17,522,419)	(19,916,443)
9,726,985	10,220,940	10,876,727	11,601,454	12,126,314	12,697,424
1,720,762	1,722,995	1,658,700	1,626,903	1,699,608	1,585,246
3,613,216	3,690,787	3,786,900	3,830,637	3,915,696	4,285,659
33,308	36,026	54,786	81,049	269,069	410,525
-	-	-	-	-	-
-	-	-	-	-	-
186,269	122,009	83,908	1,398,997	153,919	193,463
-	-	-	-	-	-
300,000	300,000	(1,709)	470,000	470,000	470,000
15,580,540	16,092,757	16,459,312	19,009,040	18,634,606	19,642,317
15,326	17,104	19,201	26,664	84,696	143,616
-	-	-	-	-	-
-	-	-	-	-	-
(300,000)	(300,000)	1,709	(470,000)	(470,000)	(470,000)
(284,674)	(282,896)	20,910	(443,336)	(385,304)	(326,384)
15,295,866	15,809,861	16,480,222	18,565,704	18,249,302	19,315,933
1,280,839	1,257,218	(546,408)	1,883,505	(414,421)	(432,478)
(564,870)	(815,249)	442,729	(775,549)	1,141,304	(168,032)
$ 715,969	$ 441,969	$(103,679)	$ 1,107,956	$ 726,883	$(600,510)

CITY OF HIGHLAND VILLAGE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
General fund				
Nonspendable - prepaid items	$ -	$ 1,073	$ 772	$ 7,319
Assigned	-	-	-	151,582
Unassigned	-	4,295,895	4,539,271	4,442,650
Reserved	188,860	-	-	-
Unreserved	4,001,874	-	-	-
Total general fund	$ 4,190,734	$ 4,296,968	$ 4,540,043	$ 4,601,551
All other governmental funds				
Nonspendable - prepaid items	$ -	$ -	$ -	$ -
Restricted, for the purpose of:				
Debt service	-	349,270	354,029	160,157
Public parks and recreational projects	-	2,539,696	2,350,393	1,820,252
Public safety - law enforcement	-	76,953	86,057	92,018
Utility drainage operations	-	433,566	283,352	171,166
Capital projects	-	371,455	3,104,486	785,227
Public broadcasting	-	-	10,738	6,291
Committed - parks	-	236,402	167,766	86,178
Reserved	1,865,015	-	-	-
Unreserved, reported in:				
Special revenue funds	3,180,113	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	$ 5,045,128	$ 4,007,342	$ 6,356,821	$ 3,121,289

Note:

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 1,176	$ 449	$ 251,748	$ 1,250	$ 99,008	$ 273,288
185,104	865,468	1,270,558	2,142,128	2,011,564	1,829,514
4,357,319	4,207,414	3,933,919	5,248,582	5,440,353	4,552,543
-	-	-	-	-	-
-	-	-	-	-	-
$ 4,543,599	$ 5,073,331	$ 5,456,225	$ 7,391,960	$ 7,550,925	$ 6,655,345
$ -	$ -	$ -	$ -	$ -	$ 26,205
168,040	154,343	141,058	161,180	159,489	118,266
8,056,884	2,349,085	751,846	106,954	30,521	86,517
94,120	84,158	78,495	87,901	71,002	90,493
161,368	165,456	240,467	298,327	340,814	279,090
641,828	392,061	438,834	45,662	6,865,552	5,313,584
17,420	30,276	36,094	65,266	113,692	152,879
106,705	120,422	262,224	501,093	263,469	271,466
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 9,246,365	$ 3,295,801	$ 1,949,018	$ 1,266,383	$ 7,844,539	$ 6,338,500

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
REVENUES				
Taxes	$ 13,698,528	$ 13,747,894	$ 14,234,807	$ 14,271,269
Fines and forfeitures	243,880	216,558	123,635	170,442
Licenses, permits, fees	1,132,330	1,256,464	1,372,677	1,414,988
Intergovernmental	224,909	147,182	353,433	1,620,831
Charges for services	152,512	220,595	201,896	206,460
Investment earnings	97,853	45,144	16,795	54,003
Miscellaneous	212,488	318,178	117,514	199,282
Total revenues	15,762,500	15,952,015	16,420,757	17,937,275
EXPENDITURES				
General government	3,184,450	3,877,964	3,676,079	3,821,447
Public safety	5,049,759	5,368,601	5,570,980	5,563,505
Building operations	341,466	306,349	352,156	-
Community development	517,773	-	-	-
Community service	-	-	-	373,690
Streets and drainage	1,081,337	1,185,257	1,208,138	1,359,195
Parks and recreation	2,039,292	2,283,597	2,313,973	2,354,526
Debt service				
Principal	1,781,323	1,696,671	1,765,000	1,735,000
Interest and other charges	980,673	901,321	824,359	794,461
Capital outlay	5,345,918	1,594,158	1,336,567	5,409,475
Total expenditures	20,321,991	17,213,918	17,047,252	21,411,299
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,559,491)	(1,261,903)	(626,495)	(3,474,024)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	4,070,000	2,795,000	
Proceeds from capital leases				
Premium on debt issuance	-	200,910	124,049	
Proceeds from sale captial assets	-	-	-	-
Payments to escrow account	-	(4,240,559)	-	-
Transfers in	1,612,313	1,314,389	1,198,962	1,268,715
Transfers out	(1,335,813)	(1,014,389)	(898,962)	(968,715)
Total other financing sources (uses)	276,500	330,351	3,219,049	300,000
SPECIAL ITEM				
Litigation settlement	-	-	-	-
Total special item	-	-	-	-
NET CHANGE IN FUND BALANCES	$(4,282,991)	$(931,552)	$ 2,592,554	$(3,174,024)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	18.4%	16.6%	16.5%	15.8%

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 15,066,221	$ 15,625,989	$ 16,308,934	$ 17,060,166	$ 17,714,340	$ 18,557,768
158,183	124,932	99,082	98,699	109,420	106,281
1,600,992	1,565,929	1,916,752	2,219,095	2,027,847	1,951,587
1,651,123	1,435,235	310,519	387,946	139,430	185,872
252,168	253,851	391,627	485,553	493,590	539,265
33,308	36,026	54,786	81,049	269,069	410,525
186,269	122,009	114,448	1,398,997	153,919	193,463
18,948,264	19,163,971	19,196,148	21,731,505	20,907,615	21,944,761
3,862,314	4,137,117	4,135,129	4,337,308	5,456,729	5,089,032
5,726,860	6,212,042	6,952,405	6,890,116	7,181,646	7,560,411
-	-	-	-	-	-
-	-	-	-	-	-
378,626	401,541	430,163	455,266	481,472	435,063
1,936,985	1,352,770	1,589,676	1,695,038	1,739,093	1,880,112
2,415,834	2,378,196	2,626,904	2,558,767	2,831,487	3,146,751
1,815,000	1,955,000	2,176,616	2,263,592	2,118,875	2,060,203
888,597	863,286	716,472	650,698	602,713	806,576
3,223,116	8,218,357	3,868,574	2,127,620	1,307,067	3,838,232
20,247,332	25,518,309	22,495,939	20,978,405	21,719,082	24,816,380
(1,299,068)	(6,354,338)	(3,299,791)	753,100	(811,467)	(2,871,619)
7,020,000	-	9,235,000	2,435,000	6,905,000	-
	633,506	250,780	-	-	-
46,192	-	-	-	-	-
-	-	-	-	-	-
-	-	(7,619,878)	(2,405,000)	173,588	-
1,235,142	1,283,905	2,290,168	2,005,329	1,462,380	1,418,615
(935,142)	(983,905)	(1,820,168)	(1,535,329)	(992,380)	(948,615)
7,366,192	933,506	2,335,902	500,000	7,548,588	470,000
-	-	-	-	-	-
-	-	-	-	-	-
$ 6,067,124	$(5,420,832)	$(963,889)	$ 1,253,100	$ 6,737,121	$(2,401,619)
15.9%	16.3%	15.5%	15.5%	13.3%	13.7%

CITY OF HIGHLAND VILLAGE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property	Less: Tax-exempt Property
	Residential Property	Commercial Property		
2010	$ 1,392,011,109	$ 272,382,720	$ 63,385,404	$ 69,657,350
2011	1,401,737,552	225,092,872	53,733,486	75,046,468
2012	1,416,483,461	252,976,165	59,119,095	80,495,062
2013	1,411,883,987	254,483,493	58,492,381	89,119,649
2014	1,461,181,835	263,597,977	60,771,959	90,906,933
2015	1,564,231,925	278,425,113	60,243,887	105,428,441
2016	1,649,565,971	313,545,655	64,490,237	106,266,234
2017	1,760,795,273	312,423,960	63,604,815	120,818,328
2018	1,890,908,720	343,451,978	64,741,269	162,929,317
2019	1,999,631,975	355,044,705	57,843,048	157,124,400

Source: Denton County Appraisal District

Note: Estimated total levy is calculated by multiplying the net taxable assessed value by the total direct tax rate per $100 of net taxable assessed value.

Residential: single family, vacant lots, acreage, and farm/ranch and personal.

Commercial: real commercial, personal industrial and utilities.

Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Total Levy
$ 1,658,121,883	0.56963	$ 9,445,160
1,605,517,442	0.56963	9,145,509
1,648,083,659	0.56963	9,387,979
1,635,740,212	0.56963	9,317,667
1,694,644,838	0.56963	9,653,205
1,797,472,484	0.56963	10,238,943
1,921,335,629	0.56963	10,944,504
2,016,005,720	0.56963	11,483,773
2,136,172,650	0.56802	12,133,888
2,255,395,328	0.56302	12,698,327

TABLE 6

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	Debt Service Rate	Total Direct Rate	Lewisville Independent School District	Denton County
2010	0.45413	0.11550	0.56963	1.40870	0.24980
2011	0.45504	0.11459	0.56963	1.42670	0.27390
2012	0.45855	0.11108	0.56963	1.42600	0.27736
2013	0.46983	0.09980	0.56963	1.45300	0.28287
2014	0.46129	0.10834	0.56963	1.47700	0.28491
2015	0.46999	0.09964	0.56963	1.47700	0.27220
2016	0.47817	0.09146	0.56963	1.47673	0.26220
2017	0.48279	0.08684	0.56963	1.42000	0.24840
2018	0.49706	0.07096	0.56802	1.40750	0.23781
2019	0.47979	0.08323	0.56302	1.40750	0.22557

Source: Denton County Tax Collector's Office
Lewisville Independent School District Budget Office

Note: A typical property tax bill would consist of the City, School District and County taxes.

TABLE 7

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2019		2010	
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value*	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value**
MP Shops at Highland Village, LLC	$ 74,000,000	3.281%	$ -	- %
DDR Highland Village, LP	43,923,934	1.948%	-	- %
HHSG, LLC	35,972,824	1.595%	-	- %
Wal-Mart Stores Texas, LP	15,833,946	0.702%	-	- %
ADV Highland Village Property Owner, LLC	10,911,054	0.484%	-	- %
Centro NP Holdings 12 SPE, LLC	10,456,171	0.464%	-	- %
PS LPT Property Investors	10,151,908	0.450%	-	- %
Barnett Healthcare Prop, LLC	9,000,000	0.399%	-	- %
HSM Highland Point S/C. LTD	6,261,986	0.278%	-	- %
CoServ Elecrtric Co-Op	6,241,200	0.277%	-	- %
Shops at Highland Village Dev., LTD	-	- %	69,821,864	4.211%
Opus Real Estate TX VII HV, LP	-	- %	32,199,571	1.942%
Wal-Mart Stores Texas, LP	-	- %	21,061,478	1.270%
Wal-Mart Stores Texas, LP	-	- %	9,933,587	0.599%
CenterAmerica Prop. Trust, LP	-	- %	8,936,765	0.539%
Barnett Healthcare Prop, LLC	-	- %	7,215,000	0.435%
HSM Highland Point S/C. LTD	-	- %	5,900,000	0.356%
Happenings, LLC	-	- %	5,699,407	0.344%
CoServ Elecrtric Co-Op, Inc.	-	- %	4,943,610	0.298%
OW Commercial, Inc.	-	- %	4,840,580	0.292%
Total	$ 222,753,023	9.876%	$ 170,551,862	10.286%

Source: Denton county Appraisal District

Notes:

* Total taxable value including real and personal property for tax year 2018 (fiscal year 2019) is $2,255,395,328

** Total taxable value including real and personal property for tax year 2009 (fiscal year 2010) is $1,658,121,883

TABLE 8

CITY OF HIGHLAND VILLAGE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	$ 9,449,566	$ 9,409,516	99.58%	$ 38,189	$ 9,447,705	99.98%
2011	9,331,792	9,311,956	99.79%	17,621	9,329,577	99.98%
2012	9,378,644	9,362,729	99.83%	13,630	9,376,359	99.98%
2013	9,315,832	9,293,267	99.76%	19,564	9,312,831	99.97%
2014	9,697,513	9,672,999	99.75%	20,163	9,693,162	99.96%
2015	10,201,729	10,176,515	99.75%	16,427	10,192,942	99.91%
2016	10,853,080	10,824,025	99.73%	20,896	10,844,921	99.92%
2017	11,572,279	11,546,650	99.78%	13,115	11,559,765	99.89%
2018	12,140,133	12,099,984	99.67%	24,540	12,124,524	99.87%
2019	12,691,161	12,640,013	99.60%	-	12,640,013	99.60%

Sources: Denton County appraisal District and Denton County Tax office.

Notes: Tax levy includes adjustments and supplements made to the property roll during the fiscal year. Delinquent collections do not include penalty and interest.

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CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Tax Note
2010	$ 15,448,553	$ 7,428,791	$ -	$ -
2011	14,238,460	6,879,970	-	-
2012	13,024,524	9,237,414	-	-
2013	11,865,589	8,644,049	-	-
2014	10,880,294	15,080,339	-	-
2015	9,768,359	14,319,664	503,506	-
2016	9,547,809	12,683,991	632,670	1,535,000
2017	10,789,888	9,511,276	384,078	1,420,000
2018	16,395,133	9,354,426	130,202	1,145,000
2019	15,208,189	8,852,574	-	865,000

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities						
General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Total Primary Government	Percentage of Personal Income*	Per Capita*
$ 1,330,983	$ 11,288,976	$ 87,448	$ 35,584,751	5.59%	$ 2,212
1,001,994	10,644,363	44,550	32,809,337	5.48%	2,144
5,339,572	5,262,868	-	32,864,378	4.97%	2,106
4,771,815	5,030,763	-	30,312,216	4.47%	1,979
4,373,046	9,345,362	-	39,679,041	5.31%	2,572
3,726,715	9,097,385	-	37,415,629	4.77%	2,351
3,070,385	8,839,408	-	36,309,263	4.50%	2,290
6,451,947	4,554,089	-	33,111,278	3.87%	2,068
5,854,297	7,160,379	-	40,039,437	4.54%	2,487
5,140,647	6,933,977	-	37,000,387	3.99%	2,237

TABLE 10

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding					Percentage of Net Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificate of Obligation Bonds	General Bonded Debt Outstanding	Less Debt Service Resources Available	Net General Bonded Debt Outstanding		
2010	$ 16,779,536	$ 18,717,767	$ 35,497,303	$ 341,419	$ 35,155,884	2.12%	$ 2,185
2011	15,240,454	17,524,333	32,764,787	349,270	32,415,517	2.02%	2,118
2012	18,364,096	14,500,282	32,864,378	354,029	32,510,349	1.97%	2,084
2013	16,637,404	13,674,812	30,312,216	160,157	30,152,059	1.84%	1,969
2014	15,253,340	24,425,701	39,679,041	168,040	39,511,001	2.33%	2,561
2015	13,495,074	23,417,049	36,912,123	154,343	36,757,780	2.04%	2,310
2016	12,618,194	21,523,399	34,141,593	59,725	34,081,868	1.77%	2,149
2017	17,241,835	14,065,365	31,307,200	99,242	31,207,958	1.55%	1,949
2018	22,249,430	16,514,805	38,764,235	-	38,764,235	1.81%	2,408
2019	20,348,836	15,786,551	36,135,387	51,762	36,083,625	1.60%	2,182

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for property value data.

See Table 14 for population data.

TABLE 11

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2019

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
County of Denton	$ 590,380,000	2.291%	$ 13,526,073
Lewisville Independent School District	1,408,404,617	6.330%	89,156,535
Subtotal overlapping debt			102,682,608
City of Highland Village (direct debt)	24,925,763	100.0%	24,925,763
Total direct and overlapping debt			$ 127,608,371

Sources: Assessed value data used to estimate applicable percentages provided by the Denton County Appraisal District. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Highland Village, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

CITY OF HIGHLAND VILLAGE, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2010	2011	2012	2013
Debt limit	$ 41,453,047	$ 40,137,937	$ 41,202,091	$ 40,893,505
Total net debt applicable to limit	2,308,177	2,231,680	2,262,042	2,369,304
Legal debt margin	$ 39,144,870	$ 37,906,257	$ 38,940,049	$ 38,524,201
Total net debt applicable to the limit as a percentage of debt limit.	5.57%	5.56%	5.49%	5.79%

Note:

According to The State of Texas Constitution, Article 11, Section 5, provides in part that, "…no tax for any purpose shall ever be lawful for any one year, which shall exceed 2.5% of the taxable property of such city." As a home rule city, the City of Highland Village is not limited in the amount of debt it may issue.

TABLE 12

Assessed value	$ 2,255,395,328
Debt limit ($2.50 per $100 of assessed value)	56,384,883
Debt applicable to limit:	
Tax supported debt	2,730,950
Less: Amount set aside for repayment of general obligation debt	(51,762)
Total net debt applicable to limit	2,679,188
Legal debt margin	$ 53,705,695

Fiscal Year					
2014	2015	2016	2017	2018	2019
$ 42,366,121	$ 44,936,812	$ 48,033,391	$ 50,400,143	$ 53,404,316	$ 56,384,883
2,478,463	2,842,629	2,495,691	2,524,780	2,386,534	2,679,188
$ 39,887,658	$ 42,094,183	$ 45,537,700	$ 47,875,363	$ 51,017,782	$ 53,705,695
5.85%	6.33%	5.20%	5.01%	4.47%	4.75%

CITY OF HIGHLAND VILLAGE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water and Wastewater System Revenue Bonds						
Fiscal Year	Total Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2010	$ 7,431,980	$ 6,751,790	$ 680,190	$ 877,687	$ 599,289	$ 1,476,976	0.46
2011	9,098,999	6,725,115	2,373,884	958,329	499,271	1,457,600	1.63
2012	8,775,422	8,517,784	257,638	995,000	348,478	1,343,478	0.19
2013	8,498,147	6,642,770	1,855,377	800,000	347,277	1,147,277	1.62
2014	8,116,969	7,284,308	832,661	840,000	398,349	1,238,349	0.67
2015	7,905,718	7,266,680	639,038	860,000	424,163	1,284,163	0.50
2016	8,030,237	7,271,123	759,114	880,000	402,788	1,282,788	0.59
2017	8,251,419	7,503,415	748,004	905,000	332,284	1,237,284	0.60
2018	10,120,828	8,020,025	2,100,803	790,000	286,878	1,076,878	1.95
2019	9,255,667	7,154,348	2,101,319	815,000	401,814	1,216,814	1.73

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues do not include capital contributions. Operating expenses do not include interest, depreciation, or amortization expenses.

TABLE 14

CITY OF HIGHLAND VILLAGE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2010	16,090	$ 636,713,480	$ 39,572	7.1%
2011	15,305 *	598,930,565	39,133	6.9%
2012	15,602	661,072,342	42,371	5.6%
2013	15,315	677,964,420	44,268	5.4%
2014	15,429	747,797,343	48,467	4.2%
2015	15,915	784,959,630	49,322	3.4%
2016	15,859	807,096,228	50,892	3.6%
2017	16,012	855,857,412	53,451	3.1%
2018	16,100	881,539,400	54,754	3.1%
2019	16,537	926,369,666	56,018	2.8%

Source: U. S. Census Bureau
Texas Workforce Commission
Bureau of Economic Analysis

Note: Population estimates are based on residential sewer connections.
*2011 population estimates are based on 2010 census

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

	2019	2010
Employer	Employees	Employees
ExcelWipe, LLC	250-499	-
Allegro Coffee	100-249	-
City of Highland Village	100-249	100-249
Lewisville Independent School District	100-249	-
Re/Max Cross County	100-249	-
Walmart Supercenter	100-249	-
Whole Foods Stores	100-249	-
AMC Highland Village 12	50-99	-
Excite Gymnastics & Cheer	50-99	-
Golden Chick	50-99	-
Home Instead Senior Care	50-99	-
Rosa's Café & Tortilla Factory	50-99	-
TJ Maxx	50-99	-
Personal Neighbor Care, LLC	-	50-99
Excite! Gymnastics & Cheer LLC	-	50-99
Just for Fun of North Texas, Inc.	-	50-99
Salerno Pizza Co	-	50-99
Watauga Keller, LLC	-	20-49
Prime Kids, LLC	-	20-49
John R. Ross Company, Inc.	-	20-49
Trinity Wellness Center, PC	-	20-49
Tri Rae Enterprises, LLC	-	20-49

Source: Texas Workforce Commission

TABLE 16

CITY OF HIGHLAND VILLAGE, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fiscal Year									
Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
City manager	2	2	2	2	2	2	2	2	2	2
Finance	11	12	12	13	13	11	11	10	10	10
Human resources	3	3	3	3	3	3	3	3	3	3
City secretary	2	2	2	2	2	2	2	2	2	2
Information Services	-	-	-	-	4	4	6	7	7	7
City Attorney	3	2	1	-	-	-	-	-	-	-
Maintenance	4	4	4	4	4	4	4	4	4	4
Public safety										
Police	37	38	38	39	41	44	46	45	45	46
Fire	18	18	18	18	18	19	22	22	22	22
Community services	4	4	5	5	5	5	5	4	4	4
Streets and drainage	17	16	16	15	15	15	14	15	15	15
Parks and recreation	15	16	16	17	17	17	17	17	17	18
Water and wastewater	17	17	18	18	18	18	19	19	19	19
Highland Village Community Development Corporation	2	2	2	2	2	3	3	3	4	4
Total	135	136	137	138	144	147	154	153	154	156

Source: Various City departments

Notes: A fulltime employee is scheduled to work 40 hours per week (including vacation and sick leave).

CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2010	2011	2012
General government			
Open records requests processed	142	149	184
Court cases filed	3,182	2,704	1,220
Employee turnover (%)	9.80%	14.00%	16.00%
Emp safety lost time injuries	1	2	-
Technical support tickets closed			
Community Service			
Permits issued	1,083	1,250	1,386
Inspections performed	3,398	2,911	2,928
Police			
Reported offenses	324	340	273
Arrests	307	321	232
Service	7,329	7,022	6,324
Close patrols	5,986	4,331	10,249
Traffic citations issued	3,670	2,480	1,305
Traffic warnings issued	3,857	4,626	2,010
Motor vehicle accidents	251	197	189
Animal impounds	360	216	221
Animal care calls	3,826	2,105	4,656
Animal registrations	1,148	580	873
Fire			
EMS calls	615	566	525
Fires calls	400	504	549
Streets and Drainage			
Drainage materials (ft.)	6,364	9,268	34,021
Asphalt (tons)	220	402	1,148
Concrete(yards)	102	937	4,216
Cold patch (lbs)	2,762	3,000	53
Crack seal (lbs)	6,295	21,558	-
Paint (gal)	140	301	89
Sod replacement (yards)	-	-	-
Saw cuttings (ft.)	1,069	10,578	16,568
Spoils (yards)	1,639	577	3,605
Sign Repairs (hours)	532	700	159
Work orders completed (Maintenance)	713	534	264
Total fuel consumption	**47,984	65,789	58,692
Parks and recreation			
Acres of turf mowed	6,154	4,686	*
Parks turf maintenance (hours)			
Park maintenance (hours)	*	*	5,126
Bags of trash disposed (55 gal)	5,800	4,898	*
Trash removal (hours)	*	*	1,253
Recreation/Special Events Participation	25,041	30,342	19,798
Water			
New connections	28	33	59
Field operations work orders completed	7,305	5,379	14,822
Peak daily consumption	7,235,926	7,220,700	8,099,400
Maximum daily capacity-water production	7.54 MGD	6.46MGD	6.93MGD
Number of gallons pumped	984,344,630	1,236,291,896	1,094,066,900
Number of gallons sold	888,988,200	1,188,799,975	1,070,560,100
Wastewater			
Wastewater work orders completed	1,396	1,148	1,620
Wastewater gallons pumped	577,082,000	462,414,000	446,910,000

Source: Various City departments

* Not available

**During Fiscal Year 2009-2010 the City's Fuel Station was not in use due to Facility Construction, therefore Total Fuel Consumption does not include 4 months

Fiscal Year				
2013	2014	2015	2016	2017
220	240	224	281	288
2,284	1,962	1,524	1,782	1,518
11.70%	10.70%	7.50%	11.70%	9.00%
1	2	-	-	-
		1,046	807	774
1,424	1,466	1,343	1,336	4,533
2,923	2,889	2,946	2,633	4,949
227	262	306	452	609
255	271	281	267	325
5,884	4,928	5,164	6,617	6,962
7,174	12,492	8,259	6,957	7,193
2,119	2,221	1,716	1,352	1,129
2,622	3,008	2,841	2,337	3,010
194	204	162	239	257
*	230	172	243	220
*	1,554	687	1,413	1,410
*	907	690	865	676
568	591	601	602	685
350	457	493	526	610
*	*	*	*	*
316	157	426	716	301
406	197	270	204	213
600	900	3,575	4,800	30,000
-	-	125	200	18,000
140	156	20	30	15
329	250	25	15	86
11,996	28,334	17,832	14,952	12,336
3,402	404	961	828	966
196	98	48	107	42
1,860	1,903	1,837	1,818	1,821
59,415	60,448	55,897	59,198	60,000
11,448	4,931	*	*	*
			6,525	6,525
6,525	*	24,012	23,899	23,950
7,200	6,160	8,260	*	*
2,816	*	2,816	2,816	2,920
20,894	22,608	20,288	19,051	29,603
15	16	17	37	26
16,687	9,815	10,675	10,815	10,064
6,780,300	6,929,900	7,500,000	7,500,000	7,500,000
7.20MGD	7.20MGD	7.20MGD	7.20MGD	7.2MGD
1,162,636,600	1,044,346,300	1,056,000,000	991,177,900	928,836,200
1,152,288,922	934,653,200	1,008,000,000	931,105,700	888,844,700
1,123	4,156	4,867	4,740	4,378
374,111,518	381,156,000	604,500,000	572,924,000	425,469,000

TABLE 17

CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2018	2019
General government		
Open records requests processed	277	319
Court cases filed	1,547	1,528
Employee turnover (%)	7.10%	9.60%
Emp safety lost time injuries	1	-
Technical support tickets closed	747	829
Community Service		
Permits issued	2,758	1,563
Inspections performed	4,313	3,608
Police		
Reported offenses	565	518
Arrests	272	304
Service	6,221	6,520
Close patrols	13,729	15,202
Traffic citations issued	1,128	1,280
Traffic warnings issued	3,217	3,989
Motor vehicle accidents	261	260
Animal impounds	187	227
Animal care calls	1,252	1,489
Animal registrations	620	571
Fire		
EMS calls	682	745
Fires calls	587	624
Streets and Drainage		
Drainage materials (ft.)	*	*
Asphalt (tons)	227	640
Concrete(yards)	622	136
Cold patch (lbs)	25,000	51,720
Crack seal (lbs)	14,406	9,000
Paint (gal)	56	92
Sod replacement (yards)	261	100
Saw cuttings (ft.)	16,957	15,520
Spoils (yards)	124	807
Sign Repairs (hours)	80	110
Work orders completed (Maintenance)	1,809	1,813
Total fuel consumption	57,000	61,000
Parks and recreation		
Acres of turf mowed	*	*
Parks turf maintenance (hours)	6,525	9,267
Park maintenance (hours)	23,950	22,067
Bags of trash disposed (55 gal)	*	*
Trash removal (hours)	2,920	2,086
Recreation/Special Events Participation	29,003	25,560
Water		
New connections	13	16
Field operations work orders completed	9,370	10,544
Peak daily consumption	7,500,000	7,500,000
Maximum daily capacity-water production	7.2MGD	7.2MGD
Number of gallons pumped	995,892,200	813,644,189
Number of gallons sold	1,017,767,600	765,360,700
Wastewater		
Wastewater work orders completed	4,785	4,803
Wastewater gallons pumped	411,460,879	447,811,593

Source: Various City departments

* Not available

**During Fiscal Year 2009-2010 the City's Fuel Station was not in use due to Facility Construction, therefore Total Fuel Consumption does not include 4 months

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CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2010	2011	2012	2013
General Government				
City area (in miles)	6.38	6.38	6.38	6.38
Police				
Stations	1	1	1	1
Fire				
Stations	1	1	1	1
Streets and Drainage				
Streets (miles)	90.0	200.0	200.0	200.0
Traffic signals	1	3	3	3
Parks and recreation				
Acres of parks	366	335	318	318
Trail system (linear miles)	6.7	6.7	7.1	10.0
Water				
Number of meters in service	5,322	5,357	5,416	5,422
Water mains (in miles)	95	100	100	100
Fire hydrants	741	754	766	770
Wastewater				
Storm sewers (miles)	38	23	23	24
Sanitary sewers (miles)	92	98	98	98
Sewer connections	5,121	5,119	5,212	5,218

Source: Various City departments

Fiscal Year					
2014	2015	2016	2017	2018	2019
6.38	6.38	6.38	6.38	6.38	6.38
1	1	1	1	1	1
1	1	1	1	1	1
200.0	200.0	200.0	200.0	200.0	200.0
3	3	3	3	3	3
318	318	318	318.2	393	393
11.7	11.7	12.7	12.7	12.7	12.7
5,439	5,456	5,483	5,521	5,536	5,523
98	99	100	100	102	102
780	780	811	815	825	825
24	25	25	25	25	25
98	98	99	99	100	100
5,235	5,253	5,276	5,307	5,325	5,389

COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor
and City Council of
City of Highland Village, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Highland Village, Texas' basic financial statements, and have issued our report thereon dated March 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Highland Village, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Highland Village, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Highland Village, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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AICPA GAQC Member

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Highland Village, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2020